THE STATE OF SOUTH CAROLINA
In The Court of Appeals

APPEAL FROM HORRY COUNTY
Court of Common Pleas

The Honorable Cynthia Graham Howe
Master-in-Equity, Fifteenth Judicial Circuit

Case No.: 2009-CP-26-620
Appellate Case No.: 2016-001075

Ellis E. Smith, individually and on behalf of A&E Constructors and Consultants, Inc., a South Carolina Corporation .....Plaintiffs,

vs.

Arthur Wayne Vereen, Park Place Properties of Myrtle Beach, LLC, Parkway Offices, LLC, Arthur Vereen Construction, Inc., Linda C. Vereen, Arthur W. Vereen, as Trustee of the Arthur W. Vereen Residence Trust, and Linda C. Vereen, as Trustee of the Linda C. Vereen Residence Trust, ... Defendants,

AND

Arthur Wayne Vereen, individually and on behalf of A&E Constructors and Consultants, Inc. and 29th Place Developers, Inc., ... Third-Party Plaintiffs,

vs.

E. Smith and Sons Construction, LLC, EES Construction and Consulting, Inc. and Ellis E. Smith, individually, ...Third-Party Defendants.

OF WHOM Arthur Wayne Vereen, individually and on behalf of A&E Constructors and Consultants, Inc., Park Place Properties of Myrtle Beach, LLC, Parkway Offices, LLC, Arthur Vereen Construction Company, Inc., Linda C. Vereen, Arthur W. Vereen, as Trustee of the Arthur W. Vereen Residence Trust, Linda C. Vereen, as Trustee of the Linda C. Vereen Residence Trust and 29th Place Developers, Inc. are ..... Appellants,

AND

Ellis E. Smith, individually and on behalf of A&E Constructors and Consultants, Inc., a South Carolina Corporation and E. Smith and Sons Construction, LLC, EES Construction and Consulting, Inc. and Ellis E. Smith, individually are ..... Respondents.

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MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "12".

Q YOUR INITIAL DRAWS THAT YOU HAD WERE FOR LAND CLEARING AND THOSE THINGS OCCURRING IN MARCH OR APRIL OF 2004?

A YOU ARE ASKING, I THINK, KIND OF A MUDDY QUESTION. WE STARTED ACTUAL VERTICAL CONSTRUCTION IN 2004 ...

Q WHO IS WE?

A ... IF YOU'LL JUST LET ME FINISH MY ANSWER. I'LL BE GLAD TO ANSWER THEM FOR YOU. WE -- I'M TRYING TO GIVE YOU AN ANSWER. I BEGAN CONSTRUCTION -- I BEGAN WORK ON THE PROJECT, WILLOUGHBY PLACE, BACK IN 2002 AND I WORKED THROUGH THAT PROJECT IN 2003. WE ACTUALLY CLEARED THAT PROPERTY ON THE CORNER OF 44TH AVENUE AND KEPT IT MAINTAINED WITH GRASS CUTTING FOR THE WILLOUGHBY FAMILY BEFORE 2003. WE BEGAN IN 2002. WHEN I SAY, "WE" I'M TALKING ABOUT MYSELF, ARTHUR VEREEN CONSTRUCTION COMPANY, BEGAN CONVERSATIONS WITH THE WILLOUGHBY FAMILY AS WELL AS WITH A GENTLEMAN BY THE NAME OF CHIP WILKINS FROM LAND WATCH TO START PREPARING PERSPECTIVES OF DIFFERENT TYPES OF BUILDINGS.

ALSO MET AND DEALT WITH ASI ENGINEERING AND STARTED DOING SOME SITE PRELIMINARY WORK AND WE ALSO HAD MEETINGS WITH THE CITY OF MYRTLE BEACH AS FAR AS APPEARANCE BOARDS. THOSE TYPES OF THINGS WERE GOING ON FOR LIKE TWO YEARS.

Q YES, SIR. BUT YOU HAD NO PERMITS FOR THE WILLOUGHBY JOB. YOU DIDN'T OBTAIN ANY PERMITS IN ARTHUR VEREEN CONSTRUCTION FOR THE WILLOUGHBY PLACE, DID YOU?

A I DID NOT.

Q I HAVE THOSE AND I SEE THAT THERE HAS BEEN NO PERMITS FOR ARTHUR VEREEN CONSTRUCTION IN THE CALENDAR YEAR FOR 2002 OR 2003 IN THE CITY OF MYRTLE BEACH?

A THAT COULD BE TRUE, YES, SIR.

Q SO, THE PERMIT THAT YOU OBTAINED FOR WILLOUGHBY PLACE WAS IN THE NAME OF A&E, THE PLAINTIFF?

A THAT'S CORRECT.

Q TELL ME, SIR, EXHIBIT ENTITLED, "WILLOUGHBY PLACE" WHY DID YOU HAVE ALL THE DRAW REQUESTS MADE OUT TO ARTHUR VEREEN CONSTRUCTION?

A WELL, I DON'T SEE MY NAME ON IT. SO, I DON'T SEE ARTHUR VEREEN CONSTRUCTION'S NAME ON THIS DRAW REQUEST.

Q ON THE FIRST ONE?

A ON THE FIRST TWO OR THREE THAT I'M LOOKING AT, SIR. ALL THE WAY UP 'TIL MAY OF 2004.

Q THE FIRST IS MAY 12TH OF 2004?

A 7 OF 2004, 6 OF 2004, 8 OF 2004. THE FIRST ONE I SEE IS IN, IT LOOKS LIKE DECEMBER OF 2004. IS ARTHUR VEREEN CONSTRUCTION COMPANY DOING BUSINESS AS A&E CONSTRUCTORS?

Q THEY WENT LIKE THAT THROUGH THE CONCLUSION OF THE PROJECT, DID THEY NOT?

A IT APPEARS SO, YES, SIR. I HAVEN'T GONE THROUGH EACH ONE OF THEM BUT IT SEEMS LIKE IT.

Q BUT THE CHECKS -- THESE RECORDS CAME FROM DOCUMENTS THAT YOU GAVE ME IN THE LAWSUIT. THE CHECKS WERE FOR PAYMENTS MADE TO ARTHUR VEREEN CONSTRUCTION COMPANY, WEREN'T THEY? FIRST ONE BEING MAY 14TH, 2004?

A YES, SIR.

Q THAT WAS THE AMOUNT OF $100,782.00?

MS. COOK: NO.

A LOOKS LIKE THE FIRST ONE WAS FOR $30,880.00.

Q OKAY. AND THAT WAS MADE TO ARTHUR VEREEN CONSTRUCTION?

A THAT'S CORRECT.

Q AND THE SECOND ONE WAS MADE TO ARTHUR VEREEN CONSTRUCTION?

A THAT'S CORRECT.
Q BY AND LARGE, THESE CHECKS WERE ALWAYS PAID TO ARTHUR VEREEN CONSTRUCTION, WERE THEY NOT, UNTIL YOU GOT INTO 2006?
A IT LOOKS LIKE THAT UNLESS THERE WERE CHECKS MADE OUTSIDE OF THAT, THAT WERE MADE TO WILLOUGHBY FAMILY INVESTMENTS, THE MAJORITY OF THEM.
Q WELL, MR. VEREEN --
A THESE ARE ATTACHED TO WHAT YOU HAVE GIVEN ME.
Q YES, SIR. AND THESE WERE ALL -- THERE IS A MULTITUDE OF PERMITS FROM THE CITY OF MYRTLE BEACH FOR A&E FOR THE WILLOUGHBY JOB?
A THAT'S CORRECT.
Q BECAUSE IT WAS THE WILLOUGHBY JOB. I MEAN, IT WAS AN A&E JOB, WAS IT NOT?
A THAT'S CORRECT.
Q WHY DID YOU PUT ALL THE MONEY INTO THE A&E ACCOUNT WHEN YOU INVOICED THEM?
A I THINK -- WELL, WHEN THE CHECK WAS MADE OUT TO ARTHUR VEREEN CONSTRUCTION COMPANY AND ARTHUR VEREEN CONSTRUCTION COMPANY WAS PAYING THE INVOICES AT THE BEGINNING OF THE JOB AS WELL AS I WAS PAYING THE MONEY ON THAT JOB. WE ONLY HAD $50,000.00 PUT INTO THAT ACCOUNT. THE ONLY PERSON WHO WAS PUTTING MONEY INTO IT WAS MYSELF.

LET ME FINISH, AND MY PARTNER, ELLIS SMITH, WAS NOT PARTICIPATING. HE WAS OFF DOING HIS OWN THING. HE DIDN'T COME BACK AND GO TO WORK FOR A&E ON A DAILY BASIS UNTIL MAY OF '05.

Q MY QUESTION IS, WHY DIDN'T YOU PUT THE COMPENSATION FROM THE DRAW REQUESTED INTO THE A&E ACCOUNT?

A I THINK I DID. I THINK I STATED WHAT I DID WAS ARTHUR VEREEN CONSTRUCTION -- WHAT I SHOULD HAVE DONE WAS PUT THE MONEY IN ARTHUR VEREEN CONSTRUCTION AND A&E FOR WHAT THEY HAD DONE OR PUT THAT MONEY IN A&E AND PAID ARTHUR VEREEN CONSTRUCTION BACK. IN ESSENCE, I DID THAT.

Q WELL, YOU PUT IN A CHECK FOR $30,100.00 AND A CHECK FOR 52,500 DIRECTLY INTO YOUR PERSONAL ACCOUNT, IN ARTHUR VEREEN CONSTRUCTION?

A YES, SIR.

Q THAT COMPANY WAS NOT DOING BUSINESS AT THAT TIME?

A ANY NEW BUSINESS, THAT'S CORRECT.

Q AND DID YOU TELL MR. SMITH THAT YOU WERE PUTTING COMPANY FUNDS INTO YOUR OWN ACCOUNT OTHER THAN A&E WHEN YOU DID YOUR BILLING FOR THE WILLOUGHBY PLACE JOB?

A NO, SIR.

Q AND MR. SMITH WAS ACTUALLY WORKING ON THAT JOB, WASN'T HE? HE WAS YOUR SUPERINTENDENT?
A NO, SIR, THAT'S NOT CORRECT. WE HIRED A SUPERINTENDENT.
Q WELL, YOU ...
A I HIRED A SUPERINTENDENT.
Q I UNDERSTAND WHAT YOU'RE SAYING IS YOU BILLED IT UNDER NO NAME AND THEN YOU BILLED IT UNDER ARTHUR VEREEN DOING BUSINESS AS A&E, AND THAT WAS 'CAUSE YOU TOLD MRS. DREWETT TO DO IT THAT WAY, THE BOOKKEEPER?
A SAY THAT AGAIN.
Q DID YOU TELL MRS. DREWETT TO BILL IT OR DID YOU -- YOU HAD A DRAW REQUEST IN THIS, DIDN'T YOU?
A I HAD DRAW REQUESTS? I'M CONFUSED.
Q WELL, THE WILLOUGHBY PLACE, YOU WERE HANDLING THE DRAW REQUESTED FOR A&E?
A YES.
Q FOR A LOAN THAT WILLOUGHBY PLACE TOOK OUT FOR CONSTRUCTION?
A THAT'S CORRECT.
Q YOU WERE REQUESTING DRAWS FOR ALL THESE APPLICATIONS FOR PAYMENTS? WERE DRAW REQUESTS MADE TO THE BANK OR WERE THEY NOT?
A THAT'S CORRECT.

Q AND SOME KIND OF CONTRACT WAS GIVEN TO THE BANK FOR CONSTRUCTION, WAS IT NOT?

A THAT'S CORRECT.

Q YOU DON'T HAVE THAT CONTRACT, DO YOU?

A I DON'T, BUT IT'S PRETTY OBVIOUS THAT OBVIOUSLY, A CONTRACT WAS WRITTEN SOMETIME IN 2003, THAT WAS GIVEN TO THE BANK BECAUSE ALSO I PROVIDED IT, AND I THINK I DID THIS IN MY DEPOSITION THAT I STATED, THAT I HAD DONE A PRO FORMA FOR THE WILLOUGHBY FAMILY, WHICH I DID BACK IN 2002 AND 2003, WHICH I THINK I HAVE GIVEN YOU COPIES OF THAT. IT'S DONE ON ARTHUR VEREEN CONSTRUCTION STATIONERY AND IT BREAKS DOWN THE CONSTRUCTION COST OF THOSE BUILDINGS; THE LAND CLEARING, THE SITE-WORK, THE ARCHITECT, AND ENGINEERING. IT ACTUALLY DOES A PRO FORMA ON THE SALES TRYING TO GUIDE THEM ON WHAT THAT PROPERTY COULD BE MARKETED FOR AND SOLD AND THOSE NUMBERS CAME FROM MY MEETING WITH CHICORA, THE MARKETING COMPANY. THAT ALL HAPPENED BACK IN 2003 AND I HAVE GIVEN YOU, AS WELL AS ELLIS' ATTORNEY, COPIES OF THOSE DOCUMENTS.

Q YES, SIR. BUT YOU WERE PAID FOR AN A&E JOB THAT YOU PUT THE MONEY IN ANOTHER ACCOUNT, DIDN'T YOU, SIR?

A THAT'S CORRECT.
Q AND YOU TOLD ME BEFORE THAT YOUR COMPANY, ARTHUR VEREEN CONSTRUCTION, WASN'T DOING ANY MORE CONSTRUCTION WORK?
A THAT'S CORRECT.
Q ALL YOUR JOBS WERE GOING TO BE DONE THROUGH A&E?
A YEAH.
Q NOW, LOOK AT PLAINTIFF'S EXHIBIT "13" THE KEMPE JOB. THE KEMPE JOB WAS AN A&E JOB, WAS IT NOT?
A YES.

KEMPE JOB DOCUMENTS
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "13".

Q THAT FIRST DOCUMENT IS A COUNTY OF GEORGETOWN PERMIT, IS IT NOT?
A YES.
Q AND THAT WAS OBTAINED, IT LOOKS LIKE, BY YOUR DAUGHTER, ELIZABETH SISSON, IS THAT CORRECT?
A YES.
Q AND THAT WAS OBTAINED MARCH 2, 2004, CORRECT?
A CORRECT.
Q BEHIND IT IS YOUR STANDARD FORM OF AGREEMENT BETWEEN OWNER AND CONTRACTOR. IS THAT WHAT YOU CALL A CONSTRUCTION CONTRACT? STILL IN EXHIBIT

NUMBER "13", WHICH IS IN EVIDENCE.

A YES.

Q WHAT IS THE DATE OF THAT CONTRACT?

A JANUARY 31ST.

Q OF WHAT YEAR?

A 2004.

Q WHO IS THE OWNER?

A ROB KEMPE.

Q WHO WAS LISTED AS THE CONTRACTOR?

A ARTHUR VEREEN CONSTRUCTION.

Q I THOUGHT YOU TOLD ME ARTHUR VEREEN CONSTRUCTION WASN'T LICENSED TO DO BUSINESS IN JANUARY ...

A THEY WERE NOT.

Q SO, WHY DID YOU SIGN THIS CONTRACT IN ARTHUR VEREEN CONSTRUCTION WHEN IT WAS NOT LICENSED TO DO BUSINESS?

A I WOULD HAVE TO GO BACK AND LOOK IN THE FILE. I KNOW WE STARTED ENTERING INTO A CONTRACT WITH THE KEMPES BACK IN THE EARLY PART OF 2003 AND THAT MAY JUST HAVE BEEN AN ERROR ON OUR PART, BUT WE STARTED -- ACTUALLY, THIS JOB CAME -- WAS ORIGINALLY GOING TO BE A CONSTRUCTION WITH ROB KEMPE. HE AND HIS WIFE BACK IN 2003, AND THEY JUST KEPT CHANGING THEIR HOUSE PLANS AND IT TOOK ALMOST EIGHT OR NINE MONTHS BEFORE WE ACTUALLY

GOT TO WRITING A CONTRACT.

Q BUT THE CONTRACT WAS SIGNED IN JANUARY OF 2004 WHEN ARTHUR VEREEN CONSTRUCTION WAS NOT LICENSED TO DO BUSINESS IN THE STATE OF SOUTH CAROLINA?

A THAT'S CORRECT.

Q AND YOU KNEW THAT, AND YOU SIGNED IT ANYWAY?

A I DID.

Q YOU ACTUALLY SENT YOUR DAUGHTER DOWN THERE TO GET THE PERMIT IN THE NAME OF A&E, CORRECT?

A THAT'S CORRECT.

Q LOOK AT THE BACK OF EXHIBIT "13". YOU GOT INVOICES IN THERE, DO YOU NOT, SIR?

A THAT'S CORRECT.

Q INVOICE NUMBER 131, APRIL 7, 2004, IS AN INVOICE FOR $28,000.00, ISN'T IT, SIR?

A ON THE BACK?

Q YES, SIR.

A OKAY. OKAY. YOU SAID THE BACK. SO I'M GOING TO THE BACK. YES, SIR.

Q IT'S FOR $28,000.00?

A THAT'S CORRECT.

Q AND THEN, THERE'S A CHECK DATED FOR THE KEMPES FOR $28,000.00 PAYABLE TO WHO?

A ARTHUR VEREEN CONSTRUCTION.

Q WHAT DOES IT SAY DOWN THERE, "FIRST DRAW"?

A FIRST DRAW.
Q WHAT ACCOUNT DID YOU PUT THAT IN?
A I DON'T KNOW, SIR.
Q LOOK AT THE SECOND INVOICE, INVOICE 132, WAS THAT SUBMITTED FROM ARTHUR VEREEN CONSTRUCTION?
A YES, SIR.
Q AND YOU WERE SHOWING HOW MUCH WAS DUE?
A 32,000.00.
Q AND BEHIND THAT THERE IS A CHECK DATED 5/17/04 FROM THE KEMPES FOR $32,000.00 AND THAT IS PAYABLE TO ARTHUR VEREEN CONSTRUCTION, IS IT NOT?
A THAT'S CORRECT.
Q WHERE WAS THAT DEPOSITED?
A I CAN'T TELL YOU.
Q YOU DON'T KNOW?
A I DON'T KNOW RIGHT NOW.
Q LOOK AT THE NEXT INVOICE 133. INVOICE TO MR. KEMPE DATED 6/25/04. HOW MUCH IS THAT FOR?
A 61,000.00.
Q HOW MUCH WAS PAID ON THAT?
A 48,625.00.
Q WHO WAS IT PAID TO?
A IT WAS PAID TO ARTHUR VEREEN CONSTRUCTION.
Q WHAT ACCOUNT WAS THAT PUT IN?

A I DON'T KNOW, SIR.
Q AND YOU HAVE A CHANGE ORDER I SEE DATED 6/10/04. WHAT NAME IS THAT IN?
A THE CHANGE ORDER IS ON A&E CONSTRUCTION.
Q SO, YOU SWITCH FROM ARTHUR VEREEN TO A&E FOR THE CHANGE ORDER? AND HOW MUCH IS THAT FOR?
A $14,000.00.
Q THE NEXT INVOICE IS NUMBER 134.
A THAT'S A NEGATIVE $14,000.00 BY THE WAY.
Q CORRECT. WHO WAS THAT INVOICE FROM? IT'S DATED 7/29/04?
A INVOICE 134?
Q YES.
A ARTHUR VEREEN CONSTRUCTION.
Q AND THAT IS AN INVOICE FOR $62,000.00?
A CORRECT.
Q HOW MUCH WAS PAID ON THAT INVOICE?
A 59,972.
Q WHERE DID YOU PUT THAT MONEY?
A I DON'T HAVE IT IN FRONT OF ME, SO I COULDN'T TELL YOU.
Q AND THERE IS ALSO A CHECK BACK THERE, NUMBER 237 DATED JANUARY 25TH, 2005, IN THE AMOUNT OF $50,000.00. WHO IS THAT MADE PAYABLE TO?
A THIS WAS JANUARY -- I GOT'CHA. IT WAS MADE TO

ARTHUR VEREEN CONSTRUCTION.

Q NOW, YOU HAVE BEEN IN BUSINESS FOR A YEAR AS A&E AT THIS TIME, CORRECT, SIR?

A THAT'S CORRECT.

Q WHAT ACCOUNT DID YOU PUT THAT CHECK IN?

A SIR, I COULDN'T TELL YOU.

Q THERE'S A CHECK DATED MARCH 21ST 2005 IN THE AMOUNT OF $23,101.00. WHO IS THAT MADE PAYABLE TO?

A SIR, ARTHUR VEREEN CONSTRUCTION.

Q THAT'S FROM THE KEMPES?

A THAT'S CORRECT.

Q WHAT ACCOUNT WAS THAT PUT IN?

A I DON'T KNOW, SIR.

Q BEHIND THAT THERE IS A INVOICE DATED JANUARY 19TH 2005 TO THE KEMPES. WHO IS THAT FROM?

A ARTHUR VEREEN CONSTRUCTION.

Q WHO TYPED THAT UP FOR YOU?

A I WOULD IMAGINE CARRIE DID.

Q NOW, MS. DREWETT, THAT'S THE LADY WHO IS THE BOOKKEEPER FOR YOU?

A YES.

Q SHE WAS PAID FOR -- A&E PAID HER?

A THAT'S CORRECT.

Q SHE MAINTAINED A GENERAL LEDGER OR THE PEACHTREE

SYSTEM OF WRITING CHECKS AND KEEPING UP WITH JOBS, CORRECT?

A YES.

Q SO, A&E WAS PAYING FOR LABOR AND ORDERING MATERIALS OUT OF THE A&E ACCOUNT FOR THE KEMPE JOB, WERE THEY NOT?

A I WOULD HAVE TO GO LOOK, SIR. I COULDN'T ANSWER THAT QUESTION.

Q YOU DON'T KNOW. AND YOU DON'T KNOW WHAT ACCOUNT YOU PUT IT IN. WHAT ACCOUNT SHOULD YOU HAVE PUT IT INTO, MR. VEREEN?

A WELL, IT SHOULD HAVE GONE INTO A&E.

Q DO YOU KNOW WHERE THERE IS A JOB LEDGER CREATED FOR KEMPE? YOU KNOW WHAT A JOB LEDGER IS, DON'T YOU?

A I DO.

Q WHAT IS IT?

A THE JOB CALLS FOR THAT PARTICULAR PROJECT, A PARTICULAR JOB.

Q IT WOULD BE LABOR, MATERIALS.

A THAT'S CORRECT.

Q AND THAT WOULD BE MAINTAINED ON YOUR ACCOUNTING SYSTEM?

A WOULD BE.

Q HOW WOULD YOU DO YOUR BILLING FOR KEMPE? I SEE

WHERE YOU HAVE THE INVOICE. IF YOU WERE BILLING IT OUT IN THE NAME OF ARTHUR VEREEN CONSTRUCTION VERSUS A&E, WHO WOULD HAVE THE JOB FILE ORDER? DO YOU UNDERSTAND THE QUESTION?

A I DON'T.

Q HOW DID YOU KEEP UP WITH IT IF THE CHECKS WERE MADE PAYABLE TO ARTHUR VEREEN CONSTRUCTION VERSUS A&E?

A KEEP UP --

Q KEEP UP WITH THE PAYMENTS AND DISBURSEMENTS IN THE JOB ACCOUNT? THE JOB LEDGER REFLECTS PAYMENTS, DOES IT NOT?

A THAT'S CORRECT.

Q HOW WOULD YOU KEEP UP WITH IT IF YOU DIDN'T PUT IT INTO A&E?

A IN OUR COMPUTER THE ARTHUR VEREEN CONSTRUCTION AND A&E BOTH WERE INTERMIXED IN OUR COMPUTER. SO, I'M NOT EXACTLY SURE HOW THAT WOULD SHOW UP ON ONE OR THE OTHER, BUT I DO KNOW WE ALSO HAVE EXPENSES THAT ARTHUR VEREEN, AND WE ACTUALLY PAID SOME OF THOSE EXPENSES, NOT A&E. THEY DIDN'T PAY ALL THOSE EXPENSES AND I THINK WE STATED THAT TO YOU IN A DEPOSITION EARLIER. AND WE PROVIDED COPIES OF CHECKS WHERE WE HAVE PAID THOSE AND I HAVE STATED EARLIER. WELL, BOTTOM

LINE IS, IF, IN FACT, IN 2004, MY PARTNER, ELLIS SMITH, HAD SHOWED UP FOR WORK ON A FULL TIME BASIS, WE WOULD PROBABLY NOT BE HAVING THIS CONVERSATION TODAY.

Q ALRIGHT, SIR. ARE YOU TELLING ME THAT YOU MAINTAINED ACCOUNTS IN 2004 FOR ARTHUR VEREEN CONSTRUCTION WITH MRS. DREWETT ON THE COMPUTER? YOU ACTUALLY MAINTAINED ACCOUNTS?

A I DON'T KNOW WHAT YOU'RE TALKING ABOUT ACCOUNTS. DID WE MAINTAIN EXPENSES FROM ARTHUR VEREEN CONSTRUCTION COMPANY? ABSOLUTELY. I JUST -- WE STATED EARLIER IN 2004. I WAS ACTUALLY FINISHING UP SOME WORK.

Q FOR ARTHUR VEREEN CONSTRUCTION?

A YES. SO, WE DID KEEP IT ON RECORDS.

Q BUT NOT FOR THE KEMPE JOB?

A I'M NOT SURE HOW CARRIE FILED THAT, SIR.

Q SHE WORKED FOR YOU, DIDN'T SHE?

A SHE DID.

Q SHE HAD WORKED FOR YOU FOR HOW LONG?

A SHE WORKED FOR ME AND SHE WORKED FOR ELLIS.

Q IT'S IMPORTANT FOR YOU TO BILL AND COLLECT YOUR MONEY, IS IT NOT?

A YES, IT IS.

Q ANY CHARGES AND LABOR YOU WANT TO CHARGE THEM TO

A JOB, SO YOU CAN GET PAID BACK, ISN'T THAT TRUE?

A THAT'S CORRECT.

Q AND YOU WANT THAT TO BE DONE, DON'T YOU?

A YES. WHAT ARE ASKING ME IN PARTICULAR ON THE KEMPE JOB? JUST, FOR EXAMPLE, THAT'S A CONTRACT. IT DOESN'T MATTER WHETHER I WENT AND LOOKED AT THE JOB COST WHERE WE MADE $10,000.00 FOR THE EXPENSES THAT MONTH. WE GOT PAID ON A PERCENTAGE OF WHAT WE HAD COMPLETED.

Q SO, THERE WAS A CONSTRUCTION LOAN ON THAT ONE ALSO?

A I HAD NO IDEA ABOUT THAT.

Q NOW, I WILL HAND YOU PLAINTIFF'S EXHIBIT NUMBER "14". IT SAYS, "DOCTOR EROL LALE". DOCTOR LALE, ALSO CALLED STRAND CARDIOLOGY, I BELIEVE. THAT WAS AN A&E JOB, WAS IT NOT, SIR?

A IT WAS UNDER A&E PRORATED. YES, SIR.

DR. LALE JOB DOCUMENTS
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "14".

Q WHAT'S THE DATE OF THAT CONTRACT? IT'S IN FRONT OF YOU, ISN'T IT, THE STANDARD FORM OF AGREEMENT BETWEEN OWNER AND CONTRACTOR?

A JANUARY 30TH, 2004.
Q IT'S WITH DR. EROL LALE, CORRECT?
A CORRECT.
Q AND THE CONTRACTOR IS WHO?
A IT'S ARTHUR VEREEN CONSTRUCTION.
Q ARTHUR VEREEN CONSTRUCTION IS NOT AUTHORIZED TO ENTER INTO A CONTRACT JANUARY OF 2004, ARE THEY?
A THAT'S CORRECT.
Q AND WHY DID YOU DO THAT, SIR? WHY DID YOU SIGN A CONTRACT WITH HIM WHEN YOU JUST STATED THAT IN JANUARY YOU WEREN'T -- THAT IN OCTOBER EVERY NEW CONTRACT WAS GOING TO BE WITH A&E?
A I THINK I STATED EARLIER, THIS IS ANOTHER JOB WITH DOCTOR LALE THAT I HAD BEEN NEGOTIATING WORKING WITH HIM FOR OVER SIX MONTHS. NOW, IF WE FILLED IT OUT IN FILING AND WROTE THIS CONTRACT UNDER ARTHUR VEREEN CONSTRUCTION COMPANY AT OUR OFFICE, IT WAS AN ERROR ON OUR PART, BUT WE DID THAT JOB UNDER A&E.
Q CORRECT. AND THE BUILDING PERMIT, IT'S BACK THERE I BELIEVE, THAT'S WITH HORRY COUNTY. AND WHAT IS THE CONTRACTOR'S NAME ON THE BUILDING PERMIT?
A A&E.
Q A&E. RIGHT BEHIND THAT THERE IS AN APPLICATION

AND CERTIFICATE FOR PAYMENT, IS THAT NOT CORRECT? A DRAW REQUEST?

A THAT'S CORRECT.

Q TO DR. LALE, AND WHO IS THE CONTRACTOR ON THAT APPLICATION FOR PAYMENT?

A ARTHUR VEREEN CONSTRUCTION.

Q AND YOU SIGNED THAT, DIDN'T YOU, SIR, AS ARTHUR VEREEN CONTRACTORS DATED MARCH 3RD, 2004?

A THAT'S MY SIGNATURE.

Q AND AS A RESULT, YOU WERE PAID $62,500.00, WERE YOU NOT?

A THAT'S CORRECT.

Q AND YOU WERE SUBMITTING THIS PAYMENT REQUEST TO A BANK?

A NO, SIR.

Q TO THE DOCTOR?

A YES, SIR.

Q BEHIND IT ON MARCH 16TH, THERE'S A CHECK FROM SOUTH STRAND CARDIOLOGY. THAT'S DR. LALE, ISN'T IT? ISN'T THERE A CHECK FOR $65,000.00?

A THAT'S CORRECT.

Q WHO'S THAT MADE PAYABLE TO?

A ARTHUR VEREEN CONSTRUCTION.

Q AND IT SAYS FOR WHAT, "CONSTRUCTION COST"?

A THAT'S CORRECT.

Q WHAT ACCOUNT DID YOU PUT THAT IN, SIR?
A SIR, I'M NOT SURE.
Q WHAT ACCOUNT SHOULD YOU HAVE PUT IT IN?
A WELL, A&E DID MOST OF THE CONTRACTING.
Q NOW, THERE IS ANOTHER DRAW REQUEST RIGHT AFTER THAT, THAT IS DATED APRIL 8TH 2004, CORRECT?
A CORRECT.
Q THE NAME OF THE CONTRACTOR IS ARTHUR VEREEN CONSTRUCTION?
A CORRECT.
Q YOUR NAME IS ON IT BUT YOU DIDN'T SIGN THIS COPY HERE, BUT HOW MUCH WAS IT FOR?
A IT LOOKS LIKE IT WAS PAID, 25,000.00.
Q AND BEHIND THAT THERE IS A CHANGE ORDER, IS THERE NOT, DATED 4/6/04?
A YES.
Q WHAT IS THE LETTERHEAD ON THE CHANGE ORDER?
A ARTHUR VEREEN CONSTRUCTION.
Q AND THAT IS DATED APRIL THE 6TH 2004?
A THAT'S CORRECT.
Q WHO TYPED THAT, SIR?
A I HAVE NO IDEA. MORE THAN LIKELY, CARRIE.
Q CARRIE IS AN EMPLOYEE OF A&E, CORRECT?
A THAT'S CORRECT.
Q WHY WERE YOU SENDING A CHANGE ORDER IN THE NAME

OF ARTHUR VEREEN CONSTRUCTION TO THIS A&E JOB?

A SIR, ALL I CAN TELL YOU IS WE PRINTED UP CHANGE ORDERS AND I'M SURE THAT'S JUST WHAT SHE PICKED UP.

Q THE NEXT APPLICATION FOR PAYMENT BACK HERE IS FROM ARTHUR VEREEN CONSTRUCTION DATED 5/7/04?

A THAT'S CORRECT.

Q BEHIND THAT THERE IS A CHECK DATED MAY 17TH FOR $50,000.00, IS THAT CORRECT, SIR, FROM SOUTH STRAND CARDIOLOGY?

A IT'S A CERTIFICATE OF OCCUPANCY BEHIND THAT AND THEN THERE'S A CHECK FOR $50,000.00.

Q IT'S PAYABLE TO WHOM?

A ARTHUR VEREEN CONSTRUCTION.

Q WHAT ACCOUNT DID YOU PUT THAT IN?

A SIR, I WOULD HAVE TO LOOK. I DON'T KNOW.

Q WHAT ACCOUNT SHOULD YOU HAVE PUT THAT IN?

A A&E.

Q THE NEXT DOCUMENT IS AN APPLICATION FOR PAYMENT DATED 5/18. IS THAT SAME THING OR IS IT A DIFFERENT AMOUNT?

A SAY THAT AGAIN, SIR?

Q THERE'S A DRAW REQUEST FOR $12,423.00, IS THERE NOT?

A THAT'S CORRECT.

Q THAT'S FROM ARTHUR VEREEN CONSTRUCTION COMPANY, IS IT NOT?
A THAT'S CORRECT.
Q WHERE WAS THAT PAYMENT DEPOSITED? THE CHECK'S RIGHT BEHIND IT. ISN'T IT 6/2/2004 PAYABLE TO ARTHUR VEREEN CONSTRUCTION?
A ARTHUR VEREEN CONSTRUCTION.
Q $12,423.00. IT SAYS, "LAST PAYMENT"?
A THAT'S CORRECT.
Q WHERE WAS THAT PAYMENT PUT?
A NOT SURE, SIR.
Q WHERE SHOULD IT HAVE BEEN PUT?
A A&E CONSTRUCTION.
Q GO BACK BEHIND THAT. THERE ARE SOME DEPOSITS LISTED OVER THERE. DO YOU SEE ONE WHERE IT LISTS SS CARDIOLOGY $50,000.00 FOR A DEPOSIT TICKET?
A I DO.
Q WHAT AMOUNT -- WHERE WAS THAT DEPOSITED, THE $50,000.00 CHECK?
A DEPOSITED INTO ARTHUR VEREEN CONSTRUCTION.
Q THAT'S MAY 18TH 2004?
A THAT'S CORRECT.
Q WAS THAT AN ERROR?
A NO, SIR. I THINK I SAID IT EARLIER. YOU CAN GO

LOOK ON OUR JOB LEDGERS FOR -- THAT WE MAINTAINED FOR ARTHUR VEREEN CONSTRUCTION AND LOOK AT THE JOB LEDGER FOR A&E CONSTRUCTION. THOSE INVOICES THAT THE WORK WAS BEING DONE, IT WASN'T BEING PAID FOR BY A&E.

Q ARTHUR VEREEN CONSTRUCTION WAS NOT PREFORMING ANY WORK, WAS IT, BECAUSE YOU HAD NO LICENSE TO PERFORM CONSTRUCTION WORK, DID IT?

A ARTHUR VEREEN CONSTRUCTION COMPANY WAS PAYING THE BILLS.

Q NO, SIR. THE QUESTION IS, YOU DIDN'T HAVE A LICENSE TO PERFORM CONSTRUCTION WORK, DID YOU, SIR?

A THAT'S NOT WHAT YOU ASKED ME. YOU ASKED ME WHO WAS PAYING THE BILLS AND ARTHUR VEREEN CONSTRUCTION COMPANY WAS PAYING THE BILLS, A&E WAS NOT.

Q SO, YOU MAINTAIN A DOUBLE SET OF BOOKS AT THAT TIME, ONE FOR THE ARTHUR VEREEN JOBS THAT WERE YOURS AND ONE FOR A&E?

A NO, SIR, I DID NOT.

Q MRS. DREWETT WAS THE ONLY ONE WHO KEPT THE BOOKS, WASN'T SHE?

A BOTTOM LINE, MR. DURANT, I THINK I'VE SAID THIS A FEW MINUTES AGO. IF MY PARTNER, ELLIS SMITH,

HAD EVER SHOWN UP FOR WORK AND IF HE HAD PUT ANY MONEY INTO THE COMPANY OR THE COMPANY HAD ANY MONEY, THEN WE WOULDN'T BE TALKING ABOUT THIS TODAY. THE ONLY WAY TO COMPLETE THE JOBS FOR DR. LALE, ARTHUR VEREEN CONSTRUCTION COMPANY WAS THE ONLY ONE FUNDING IT. IF THAT MEANT I HAD TO SHUT DOWN MY ENTIRE BUSINESS. IF I COULDN'T FINISH UP THE WORK I HAD UNDER CONSTRUCTION, I WOULD HAVE TO JUST STOP. WHO WAS GOING TO FUND THAT? I WOULD HAVE A&E FUNDING THOSE JOBS OVER THERE AND YOU'D BE FUSSING AT ME ABOUT THAT TODAY.

Q LOOK AT THE DEPOSIT TICKETS THERE. DIDN'T DR. LALE, THROUGH HIS COMPANY, PAY YOU ONE HUNDRED PERCENT OF THE AMOUNT INVOICED FOR THIS JOB?

A HE DID. IT WAS $50,000.00 THAT WAS DEPOSITED INTO ARTHUR VEREEN CONSTRUCTION. THE BALANCE OF IT WAS PUT INTO A&E. EVEN THOUGH THAT CHECK WAS WRITTEN IN ARTHUR VEREEN CONSTRUCTION, THE MONEY WAS DEPOSITED INTO A&E CONSTRUCTORS.

Q NOW, LOOK AT EXHIBIT NUMBER "15". FOR THE RECORD, MR. VEREEN, THE EXHIBIT "15" REFERS TO PARK PLACE PROPERTY, POINTE MARSH, AND IT HAS ALSO GOT BLACK PEARL PUTT-PUTT FOR DEFENDANT,

PARK PLACE PROPERTIES. LET ME ASK YOU, SIR, PARK PLACE PROPERTIES, IS THAT A COMPANY THAT YOU AND YOUR WIFE OWN A HUNDRED PERCENT OF?

A IT IS.

PARK PLACE PROPERTIES JOBS, POINTE MARSH, PUTT-PUTT MARKED FOR IDENTIFICATION AND INTRODUCED INTO EVIDENCE AS PLAINTIFF'S EXHIBIT "15".

Q HOW LONG HAD YOU AND YOUR WIFE OWNED THAT COMPANY AT THE TIME?

A I BELIEVE IN JUNE 2004.

Q MR. THOMAS ACTUALLY REPRESENTED THE NIXON'S WHEN THEY SOLD THE PROPERTY TO YOU, CORRECT?

A THAT'S CORRECT.

Q THE PARK PLACE PROPERTY CONSTRUCTED 23 SINGLE-FAMILY HOMES ON THE PROPERTY, DID THEY NOT?

A I'M GOING TO CORRECT MY STATEMENT. I'M WRONG. IT WASN'T JUNE 2004. IT WAS ACTUALLY IN 1997 WE BOUGHT PARK PLACE PROPERTIES. JUST TO CORRECT THAT STATEMENT.

Q BUT YOU OR YOUR WIFE, AT SOME POINT IN TIME, 2003, OR EARLY 2004 ACQUIRED A HUNDRED PERCENT OWNERSHIP OF IT, DID YOU NOT?

A I BELIEVE IT WAS IN 2002. I BELIEVE THAT'S CORRECT.
Q SO YOUR WIFE -- SHE STATES THAT SHE DOESN'T KNOW HOW MUCH SHE OWNS, BUT IS 95 PERCENT IN HER NAME AND FIVE PERCENT IN YOUR NAME? IS THAT YOUR RECOLLECTION?
A THAT'S CORRECT.
Q HOWEVER, YOU MANAGE IT TOTALLY?
A I DO.
Q YOU MAKE ALL THE DAY-TO-DAY DECISIONS WITH HER PERMISSION?
A WHEN YOU SAY, "ALL" THAT'S PROBABLY NOT TRUE. I DON'T MAKE A HUNDRED PERCENT OF THEM, BUT I DO MAKE A LARGE MAJORITY.
Q YOU'RE THE MANAGER OF THE LLC?
A THAT'S CORRECT.
Q AND SO THE DECISIONS CONCERNING CONSTRUCTION WERE YOURS? THE 23 HOUSES THAT YOU'RE BUILDING, WAS THAT SOMETHING YOU TALKED WITH YOUR WIFE ABOUT?
A YES.
Q AND THAT WAS SOMETHING THAT YOUR WIFE AGREED TO?
A THAT'S RIGHT.
Q AND SHE AGREED TO A&E PERFORMING CONSTRUCTION OR GETTING PERMITS FOR THOSE 23 HOUSES?

A YES. SHE AGREED FOR A&E TO BUY THE PERMITS, YES, SIR.

Q AND A&E -- ACTUALLY AS FAR AS LICENSING, A&E CONSTRUCTED THE HOUSES, DIDN'T THEY, AS FAR AS LICENSING?

A THAT'S CORRECT.

Q YOU OBTAINED CONSTRUCTION LOANS FROM TWO OR THREE DIFFERENT BANKS FOR THOSE HOUSES, DID YOU NOT.

A I DID.

Q YOU SUBMITTED SOME TYPE OF CONSTRUCTION CONTRACT TO THE BANK TO APPROVE FOR THE CONSTRUCTION LOAN?

A I DON'T REMEMBER THAT FAR BACK.

Q DID YOU EVER SUBMIT DRAW REQUESTS TO THE BANK FOR THOSE 23 HOUSES THAT WERE BUILT?

A I THINK WE STARTED SUBMITTING A DRAW REQUEST AND I THINK, THE BEST I RECOLLECT, IS THEY ACTUALLY -- THE BANKS OR WHOEVER THE LENDER WAS, HAD THE BANK INSPECTOR -- THEY CAME AND SUBMITTED A PERCENTAGE-WISE OF WHAT THE JOB -- THE PROGRESS -- THE JOB UNDER CONSTRUCTION.

Q WELL, FIRST PALMETTO SAVINGS BANK FINANCED A NUMBER OF THEM, DID THEY NOT?

A THEY DID.

Q YOU HAVE A REGULAR BANKING RELATIONSHIP WITH THEM?
A I DO.
Q AND THEY MADE DISBURSEMENTS ON SOME OCCASIONS TO PARK PLACE PROPERTIES ONLY, CORRECT?
A I THINK SO.
Q BECAUSE THAT WAS THE OWNER OF THE PROPERTY?
A THAT'S CORRECT.
Q AND ON SOME OCCASIONS, THE BANKS DISBURSED THE MONEY TO PARK PLACE AND A&E CONTRACTORS, IS THAT CORRECT?
A I WOULD HAVE TO LOOK, SIR, I'M NOT SURE.
Q AND ALL OF THESE PERMITS, WHICH ARE ATTACHED OVER HERE WERE ALL BUILDING PERMITS OBTAINED FROM THE CITY FOR MYRTLE BEACH WERE BY A&E?
A YES.
Q WHO OBTAINED THOSE BUILDING PERMITS FROM THE CITY OF NORTH MYRTLE BEACH? EXCUSE ME.
A I'M PRETTY SURE I PURCHASED THE MAJORITY OF THEM. I THINK ELLIS SMITH ACTUALLY PURCHASED THE FIRST ONE FOR ME BECAUSE HE JUST HAPPENED TO BE GOING THERE FOR ANOTHER REASON. I BELIEVE MY DAUGHTER, BETH, MAY HAVE PURCHASED A COUPLE OF THEM, BUT THE MAJORITY I DID.
Q SO, THE CONTRACT FOR CONSTRUCTION, THERE IS

NONE, CORRECT?

A CONTRACT TO CONSTRUCT THOSE HOUSES?

Q CORRECT. THE LICENSE FOR A&E WAS USED FOR ALL 23 HOUSES?

A THAT'S CORRECT. I THINK. MAYBE I DIDN'T STATE THIS EARLIER, BUT I STATED IT IN WILLOUGHBY. THE SAME THING I HAD DONE FOR WILLOUGHBY PLACE. I ACTUALLY PROVIDED A SCHEDULE, A PRO FORMA ON THE HOUSE. I DID THE SAME THING FOR POINTE MARSH, WHICH I GAVE TO FIRST PALMETTO SAVINGS BANK AS WELL AS, I THINK, STOCK BUILDING SUPPLY FUNDED SEVERAL OF THE HOUSES AND I THINK HORRY COUNTY STATE BANK FUNDED TWO OF THE HOUSES.

Q BUT MONEY WAS USED FROM THE A&E ACCOUNT TO PAY FOR LABOR AND MATERIALS ON THOSE HOUSES? YOU'VE GOT A JOB LEDGER RIGHT IN FRONT OF YOU, DON'T YOU, SIR?

A I DO.

Q WHAT DOES THAT JOB LEDGER SHOW INSOFAR AS THE HOUSES? HOW MUCH WAS USED OF THE COMPANY ON THOSE 23 HOUSES?

A I'M TRYING NOT TO MIX UP YOUR STUFF. ONE SECOND.

Q YOU HAVE TWO JOB LEDGERS THERE AND I'M GONG TO ASK YOU ABOUT BOTH OF THEM. SIR, DOES IT SHOW

THAT THERE WAS A $973,875.47 CHARGE TO THIS JOB ON YOUR JOB LEDGERS FOR A&E?

A I'M LOOKING, SIR. THE FIRST SHEET SHOWS $612,510.75.

Q DOES THE SAME JOB LEDGER SHOW THAT PARK PLACE PROPERTIES OWES THE COMPANY $347,400.76?

A IT DOES.

Q POINTE MARSH JOB. THAT IS A CORRECT FIGURE, IS IT NOT?

A IT IS.

Q WHAT I'M ASKING YOU IS, DID YOU EVER TELL MR. SMITH -- I TAKE IT THAT A&E DIDN'T BILL PARK PLACE PROPERTIES FOR THE WORK THEY WERE DOING?

A EVERY WRITE OUT AN INVOICE?

Q YEAH, A BILL.

A THAT'S WHAT I WAS JUST ASKING YOU, AN INVOICE. NO, THEY DID NOT.

Q HOW WOULD PARK PLACE PROPERTIES KNOW HOW MUCH IT OWED IF A BILL WASN'T GIVEN TO THEM?

A WE LOOK AT THE JOB LEDGERS AND WE KNOW HOW MUCH WE OWE THEM.

Q ACTUALLY, YOUR RECORDS SHOW THAT YOU STILL OWE ABOUT $400,000.00 ACCORDING TO THE JOB LEDGER?

A ACCORDING TO THE JOB LEDGER. THAT DOES NOT REFLECT -- LET ME FINISH. IT DOES NOT REFLECT

WHAT WE HAVE PROVIDED AND PRESENTED TO YOU SHOWING THE DEPOSITS AND THE MONEY THAT PARK PLACE PROPERTY HAS PAID, HAS NOT BEEN APPLIED TO THAT PARTICULAR JOB. AND SO, WE HAVE TRIED TO DO THAT. I UNDERSTAND THAT OUR JOB LEDGER IS NOT CORRECT, BUT WE HAVE GIVEN YOU COPIES OF THOSE CHECKS, BACK AND FRONT OF THOSE CHECKS TO REFLECT THOSE PAYMENTS MADE BY PARK PLACE PROPERTY MADE BY ME, MADE BY MY WIFE, MADE BY WHATEVER ENTITY IT IS THAT WE HAVE PUT INTO A&E.

Q DID YOU EVER TELL MR. SMITH THAT YOU WERE NOT BILLING PARK PLACE PROPERTIES FOR THE LABOR AND SERVICES THAT A&E WAS PROVIDED FOR THAT JOB?

A DO YOU MEAN ACTUALLY WRITING UP AN INVOICE AND BILLING IT TO THEM? NO, SIR. I DID NOT WRITE AN INVOICE.

Q DID YOU EVER TELL MR. SMITH THAT YOU'RE NOT INVOICING THE COMPANY FOR THE $900,000.00 THAT WAS CHARGED AND THE $400,000.00 THAT IS STILL SHOWING AS BEING DUE?

A NO.

Q AND GOING ON THE BACK, THERE IS ANOTHER JOB OVER THERE AT THE BLACK PEARL PUTT-PUTT...

A LET ME BACK UP JUST A MINUTE, IF YOU ARE IMPLYING OR TRYING TO GET ME TO SAY THAT ELLIS

NEVER KNEW THAT A&E -- THE BILLS WERE GOING THROUGH A&E AND THEN POSTED ON OUR COMPUTER, THAT'S NOT CORRECT. HE KNEW THAT THOSE INVOICES WERE THERE AND HE KNEW THAT I WAS PAYING A&E AND THAT I WAS MAKING DEPOSITS INTO A&E. NOW, THE QUESTION YOU'RE ASKING ME, DID I WRITE OUT AND INVOICE? YOU'RE ABSOLUTELY CORRECT, I DID NOT, BUT HE KNEW THOSE INVOICES AND CHARGES WERE BEING PAID THROUGH -- BY A&E, BUT HE ALSO KNEW THAT PARK PLACE PROPERTIES OR POINTE MARSH WAS ACTUALLY MAKING DEPOSITS.

Q HOW WOULD HE KNOW THAT?

A BECAUSE, SIR, HE SAW THOSE CHECKS. HE SAW THOSE CHECKS IN THE OFFICE.

Q HOW WOULD HE KNOW THAT YOU HAD NOT BILLED NINE HUNDRED SOME THOUSAND DOLLARS WORTH OF CHARGES TO YOURSELF AND THAT YOU HAVEN'T MADE THE PAYMENT ACCORDING TO THE BOOKS AND RECORDS OF THE COMPANY? HOW WOULD HE KNOW THAT?

A BECAUSE HE GOT ON THE COMPUTER AND LOOKED.

Q AFTER THE FACT?

A NO. I HAVE NEVER TRIED TO HIDE ONE THING FROM HIM. THOSE BOOKS ON THE COMPUTER AND OUR FILES OR INVOICES FROM OUR SUPPLIERS, ELLIS SMITH, ACTUALLY EVEN DID WORK ON SOME OF THOSE HOUSES

UP ON POINTE MARSH AND HE WAS PAID.

Q ELLIS SMITH NEVER SIGNED A CHECK AT ALL. DID HE FOR THE COMPANY?

A NOT THAT I'M AWARE OF.

Q HE DIDN'T HAVE AUTHORITY TO SIGN, DID HE?

A HE COULD HAVE IF HE WANTED TO. HE DID NOT WANT HIS NAME ON THE CHECK...

Q WHEN, IF EVER, DID YOU SHOW HIM THE BANKING STATEMENT FROM CAROLINA FIRST BANK?

A WHEN DID I SHOW IT TO HIM?

Q YES.

A SIR, I HAVE NEVER SHOWED IT TO HIM. BUT I KNOW HE HAS SEEN IT.

Q YOU'RE TELLING ME THAT WHILE THIS CONSTRUCTION -- WHEN THIS WAS FINISHING THAT HE KNEW THE COMPANY SHOWED PARK PLACE PROPERTIES OWED A&E $400,000.00? HE KNEW IT?

A HE KNEW IT, YES, SIR. I DON'T KNOW WHETHER HE KNEW EXACTLY $400,000.00, BUT HE KNEW THERE WAS MONEY OWED. BUT HE ALSO KNEW THAT I WAS PUTTING MONEY IN. IN FACT, MR. DURANT ONE DAY STANDING IN FRONT OF THE OFFICE, IN FRONT OF CARRIE'S DESK, BACK IN -- THERE AGAIN, YOU ARE GOING TO HAVE TO CATCH ME ON DATES, 2005 OR THE EARLY PART OF 2006, CARRIE AND I WAS TALKING AND ELLIS

WALKED IN THE OFFICE AND WE WERE TALKING ABOUT CARRIE MADE A STATEMENT THAT DAY. SHE SAID, "WAYNE, WE'VE GOT TO HAVE SOME MONEY IN THE ACCOUNT OF A&E." AND I SAID, "ELLIS, WE'VE GOT TO GET SOME MONEY IN THE ACCOUNT." HE SAID "I DON'T HAVE ANY." I WROTE A CHECK AND PUT IT IN THERE. SO, HE KNOWS. HE LOOKED AT THE CHECKBOOK. HE'S LOOKED AT OUR BANK STATEMENT?

Q YOU GOT CREDIT FOR IT, DIDN'T YOU?

A I DID, ABSOLUTELY. I'M NOT DENYING THAT. I JUST STATED A FEW MINUTES AGO, YOU ASKED ME ABOUT THIS $900,000.00. I'VE TOLD YOU THERE I'VE GOTTEN CREDIT. HAS IT BEEN PUT ON THE JOB LEDGER IN THE RIGHT PLACE, NO. BUT I HAVE GOTTEN CREDIT FOR IT. NOW, WITH ALL OUR BOOKKEEPING, ALL OF OUR VERIFICATION PUTTING EVERY CHECK, EVERY INVOICE, EVERYTHING. WE HAVE GIVEN HIM EVERY BENEFIT OF THE DOUBT.

Q MR. VEREEN, LET ME ASK YOU A SIMPLE QUESTION. IF YOU WERE BUILDING 23 HOUSES FOR A THIRD PARTY, NOT YOUR WIFE, NOT YOUR FAMILY, HOW OFTEN ARE YOU GOING TO INVOICE THEM FOR THIS WORK THAT YOU DO MONTHLY?

A YES, SIR.

Q YOU'RE GOING TO GIVE THEM AN INVOICE AND YOU'RE

GOING TO EXPECT A PAYMENT OR YOU'RE GOING TO QUIT WORKING, CORRECT?

A THAT'S CORRECT.

Q WHO ELSE EXPECTS YOU TO BE PAID? THE BANK DOES THAT'S DOING THE CONSTRUCTION, CORRECT?

A THAT'S CORRECT.

Q ALL THIS WAS GOING ON WITH MULTIPLE LOANS AND THERE'S NO INVOICE AND HOW IS MR. SMITH SUPPOSED TO KNOW THAT YOU'RE TREATING YOUR JOBS DIFFERENT THAN EVERYBODY ELSE'S?

A HOW I'M TREATING...

Q IS THERE ANOTHER JOB THAT YOU HAVE DONE OTHER THAN A FAMILY MEMBER THAT YOU HAVE NOT INVOICED THEM MONTHLY OR WHATEVER?

A I CAN GO BACK AND START WITH THE WILLOUGHBY PROJECT. HERE'S TWO YEARS OF WORK I PERFORMED ON THAT JOB FOR TWO SOLID YEARS AND I NEVER COLLECTED A DIME. SO, YOU WERE ASKING ME ...

Q CONSTRUCTION JOB ...

A YOU JUST ASKED ME THAT. THAT IS A $5 MILLION CONSTRUCTION PROJECT THAT I DID NOT INVOICE ON THAT JOB FOR TWO SOLID YEARS.

Q HAS THERE EVER BEEN A CONSTRUCTION JOB WHERE THERE'S A LOAN, WHERE YOUR COMPANY WAS EXTENDING LABOR AND MATERIALS FOR OVER $5,000,00? DOES

THAT MAKE IT EASIER? WHERE YOU DID NOT SEND HIM A MONTHLY BILL FOR IT?

A FOR OVER $5,000.00?

Q YOU DON'T DO IT. YOU BILL FOR IT, DON'T YOU?

A OH, YES, SIR.

Q YOU DIDN'T BILL YOURSELF, SO YOU TREATED YOURSELF DIFFERENTLY, DIDN'T YOU, SIR?

A IF YOU THINK THAT I DID, BUT I DON'T THINK SO.

Q WELL, THE BLACK PEARL PUTT-PUTT WAS RIGHT ACROSS THE STREET FROM IT. YOU OWED IT, IS THAT CORRECT?

A YES, SIR.

Q YOU GOT A JOB LEDGER FOR THE BLACK PEARL, DON'T YOU?

A I DO.

Q IT'S IN THE BACK OF THOSE FILES. I THINK IT SHOWS THAT THERE WAS A $114,281.23 EXPECTED BY THE COMPANY ON THE BLACK PEARL JOB, OWED BY PARK PLACE PROPERTIES, CORRECT?

A BLACK PEARL IS OWNED BY PARK PLACE PROPERTIES, YES.

Q THAT WAS A SUBSTANTIAL RE-MODEL OF THE PUTT-PUTT, WAS IT NOT? BUILT BOATS AND ALL KINDS OF STUFF?

A WE BUILT A BOAT.

Q YES. AND YOUR JOB LEDGER SHOWS THAT $114,000.00 WAS EXPENDED AND NONE WAS PAID?

A I THINK, I HAVE TRIED TO EXPLAIN THAT AND I HAVE STATED FOR, I GUESS, THE FOURTEENTH TIME, IT MAY NOT SHOW UP ON THAT JOB LEDGER, BUT I MADE DEPOSITS FROM PARK PLACE PROPERTIES, FROM ARTHUR W. VEREEN AND IT MAY NOT SHOW UP ON THAT JOB LEDGER THOUGH MONEY HAS BEEN DEPOSITED INTO A&E. IF IT'S NOT ON THAT JOB LEDGER, IT'S BECAUSE IT WAS POSTED CORRECTLY.

Q MR. VEREEN, LET ME ASK YOU A QUESTION. THE SERVICES THAT WERE RENDERED WERE RENDERED TO THE OWNER OF THE PROPERTY, PARK PLACE PROPERTY, IS THAT CORRECT?

A THAT'S CORRECT.

Q YOU DIDN'T INVOICE PARK PLACE PROPERTIES, DID YOU, SIR, FOR THE 114,000?

A NO. I DID NOT INVOICE THEM FOR THAT EXACT AMOUNT.

Q YOU DIDN'T TELL MR. SMITH THAT HUNDRED AND SOMETHING THOUSAND DOLLARS WORTH OF CONSTRUCTION WAS GOING ON AT THE PUTT-PUTT, WHERE YOU WERE NOT INVOICING AND GETTING PAID FOR IT, DID YOU?

A NO.

Q WHY DIDN'T YOU TELL HIM?

A SIR, I JUST GOT THROUGH STATING, WE KEPT PUTTING MONEY INTO A&E. I MAY NOT HAVE INVOICED THEM FOR $20,000.00 FOR THIS MONTH, BUT WE PUT -- WE PAID DEPOSITS INTO A&E. I DID NOT LOOK AT -- SPECIFICALLY, LOOK AT IT IF IT WAS EXACTLY 20,000. IT MIGHT HAVE BEEN 15,000 THAT MONTH ...

Q THE MONEY WAS OWNED BY PARK PLACE PROPERTY, WAS IT NOT?

A AND I DEPOSITED MONEY INTO A&E. A&E HAS BEEN PAID FOR THOSE INVOICES.

Q BY WHOM?

A BY PARK PLACE PROPERTIES.

Q BUT YOU NEVER ...

A BY PARK PLACE PROPERTIES. WHATEVER ENTITY I'M INVOLVED IN ARTHUR W. VEREEN. THEY HAVE BEEN PAID FOR THOSE INVOICES.

Q THAT WOULD BE SOME OF YOUR QUIRKY TYPE OF ACCOUNTING? QUIRKY.

A I'M THE ONE THAT USED QUIRKY, YES, SIR. I DID USE THAT TERM.

Q SO, YOU WOULD PUT MONEY IN FROM HERE AND THERE?

A I AM JUST SAYING, I MADE DEPOSITS, WHETHER OR NOT CARRIE POSTED THEM EXACTLY WHERE THEY SHOULD HAVE GONE, I CAN'T ANSWER THAT QUESTION, AND

OBVIOUSLY, SHE DID NOT.

Q DID YOU TELL ME THAT YOU THOUGHT THAT YOUR WIFE HAD WIRED $251,000.00 INTO A&E'S ACCOUNT?

A NO, SIR. I TOLD YOU $215,000.00.

Q AND THAT MADE IT EQUAL. HAVE YOU CHECKED NOW TO SEE IF THAT $215,000.00 WAS EVER WIRED?

A NO, SIR. IT WAS NOT WIRED INTO A&E.

Q WOULD THAT MESS UP YOUR CALCULATIONS IN YOUR MIND?

A NO, SIR.

Q SO, YOU WERE WAY BEYOND $215,000.00, WERE YOU NOT?

A THAT'S CORRECT.

Q WHERE DID YOU KEEP A LIST OF ALL THIS STUFF?

A WHERE DID I KEEP A LIST OF WHAT STUFF, SIR?

Q ALL THE CREDITS THAT YOU GOT? I HAVEN'T RECEIVED ANYTHING THAT SAID -- FROM YOU ON THE ACCOUNTING RECORDS MAINTAINED IN THE OFFICE THAT SAID, ALL THIS MONEY HAD BEEN DEPOSITED OVER AND ABOVE WHAT YOU OWED?

A I THINK WE PROVIDED YOU WITH COPIES OF THOSE THINGS.

Q YOU'RE TALKING ABOUT AFTER THE LAWSUIT WAS FILED?

A NO, SIR. THOSE RECORDS WERE IN THE OFFICE.

Q OKAY.

A AND, IN FACT, I THINK WE STATED EARLIER AFTER Y'ALL -- WHEN I SAY, "Y'ALL" I HATE TO USE THAT WORD Y'ALL, BUT AFTER THE DAY OUR COMPUTER DECIDED IT DID NOT WANT TO WORK ANY LONGER BECAUSE OF YOU AND YOUR CLIENTS COMING IN AND NOT LETTING OUR SECRETARY ACTIVATE OUR COMPUTER TO OPEN UP WHATEVER THEY WANTED TO LOOK AT, WE HAVE LOST A TREMENDOUS AMOUNT OF MEMORY ON OUR COMPUTER, WHICH WE'VE HAD TO GO BACK AND PULL BY HAND, WHICH HAS TAKEN US TWO YEARS TO REPRODUCE. AND IT WOULD'VE BEEN DONE IN FIFTEEN MINUTES THAT MORNING.

Q WOULD IT SURPRISE YOU, MR. VEREEN, THAT WE ALREADY HAD A COPY OF THE DISC ON THAT COMPUTER?

A I HOPE YOU DID, SIR. DID YOU EVER GIVE US A COPY OF IT? WE ASKED YOU FOR IT.

Q WE OFFERED IT TO YOU.

A NO, SIR. I HAVE NEVER SEEN IT.

Q LOOK AT EXHIBIT "16". IT'S CALLED "THE PARKWAY OFFICES, LLC JOB".

A OKAY.

Q WHO IS PARKWAY OFFICES?

A MY WIFE.

PARKWAY OFFICES, LLC DOCUMENTS

MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "16".

Q IN OTHER WORDS, SHE OWNS THAT ENTITY BY HERSELF?

A THAT'S CORRECT.

Q HOW LONG HAS SHE OWNED IT?

A SIR, I'M NOT SURE.

Q AND YOU'RE THE MANAGING MEMBER FOR THAT LLC?

A I AM.

Q YOU MAKE THE DECISIONS WITH YOUR WIFE'S PERMISSION?

A THAT'S CORRECT.

Q THERE WAS A RENOVATION DONE OF THOSE OFFICES BY A&E, WAS THERE NOT?

A THERE WAS SOME WORK DONE ON THE SECOND BUILDING BY A&E. YOU SAID "OFFICES", THAT'S NOT CORRECT.

Q I'M SORRY. THERE WAS WORK DONE. I UNDERSTAND FROM HIS DISCOVERY RESPONSES THE THINGS THAT YOU PUT IN THE LAWSUIT, THAT YOUR WIFE WAS AWARE THERE THE WORK WAS BEING DONE?

A THAT'S CORRECT.

Q AND I LOOK BACK HERE, WE ASKED YOU FOR A COPY OF THE CONTRACT BETWEEN A&E AND PARKWAY OFFICES AND I UNDERSTAND THAT THERE WAS NONE?

A THAT'S CORRECT.

Q SO, THE ONLY THING THAT WE HAVE WAS WORK DONE BY EMPLOYEES OF A&E, AND LABOR AND MATERIALS WERE PROVIDED BY A&E FOR THAT RENOVATION?

A PART OF IT, YES, SIR.

Q IT'S ON YOUR JOB LEDGER?

A PART OF IT. I THINK I ANSWERED THIS BEFORE. IT USED SOME SUBCONTRACTORS TO DO A MAJORITY OF THAT WORK ON THAT OFFICE. AND I THINK WE'VE ALREADY DISCUSSED THESE OFFICE SHOP CHARGES, IN FACT, I HOPE WE ARE WRONG. FOR DAYS -- MR. SMITH, OVER THERE -- I MADE A STATEMENT IN MY DEPOSITION THAT FOR 20 SOME YEARS MY EMPLOYEES WHEN THEY GO TO -- THEY MAY BE WORKING ON JOB "A", BUT WHEN THEY GO TO THE OFFICE IN OUR SHOP AREA DOING WORK ON THAT JOB, A) THEY BILL IT TO THE SHOP OR THE OFFICE. I WENT BACK AND PULLED ELLIS SMITH'S INVOICES, ELLIS TIMECARDS BACK WHEN HE WAS AN EMPLOYEE IN 2004. AND ON EVERY ONE OF THOSE TIMECARDS, THERE ARE SHOP CHARGES AND OFFICE CHARGES THAT'S WHEN HE'S WORKING IN THE OFFICE, AND IT SHOULD HAVE BEEN BILLED TO ANOTHER JOB. AND I HAVE ALWAYS HAD A HARD TIME OF ACTUALLY, DEFINING EXACTLY WHERE THAT CHARGE WENT TO FOR MATERIALS OR LABOR ON WHAT WAS BUILT TO THE SHOP AND OFFICE, WHERE IT SHOULD GO TO

THE JOB, AND WE HAVE ALWAYS JUST PUT A PERCENTAGE OUT THERE. WE WOULD BILL IT TO THIS JOB AND BILL IT TO THAT JOB. JOBS WE HAD IN PROGRESS, BUT I'VE ACTUALLY PULLED THOSE INVOICES AND THAT WAS BACK IN THE NINETIES AND PULLED HIS INVOICES, HIS TIMECARDS. I STILL HAVE THOSE RECORDS. AND I PULLED THOSE TIMECARDS AND PULLED THEM OUT, WITH HIS NAME ON IT WITH CHARGES TO THE SHOP AND THE OFFICE ON A REGULAR BASIS. SO, MY STATEMENT I'VE MADE IN MY DEPOSITION AND THE STATEMENT I'M GOING TO MAKE TODAY. AND I APOLOGIZE FOR JUST RAMBLING ON, BUT I'M JUST GOING TO TELL YOU THAT I MADE THAT STATEMENT BEFORE JUST BECAUSE IT SAYS IT'S A SHOP/OFFICE DOES NOT MEAN IT'S PUT ON THAT BILLING.

Q WELL ...

A IN FACT, I HATE TO INTERRUPT YOU AGAIN. I'M GOING TO SAY ONE SUNDAY MORNING I GO BY MY OFFICE TO GO TO WORK AND WE HAD ORDERED BUNDLES OF PLYWOOD FOR A JOB, THE MATTHEW JOB, OUT IN CONWAY. IT'S SITTING OUT IN THE YARD COVERED UP AND I STOPPED BY ON WAY TO CHURCH THAT MORNING AND ELLIS, HIS SON, AND HIS FATHER-IN-LAW, AND TWO OTHER GUYS WERE LOADING THE PLYWOOD UP. AND

THEY WHERE TAKING IT TO PUT ON HIS SON'S HOUSE. THAT WAS MATERIAL THAT WAS DELIVERED TO THE OFFICE BILLED TO THE SHOP THAT'S BEING DELIVERED TO THE MATTHEW JOB BECAUSE WE WEREN'T READY FOR IT. I HAD ORDERED THOSE BUNDLES OF PLYWOOD BECAUSE THE PLYWOOD WAS GOING UP. WE GOT IT AT A GOOD PRICE. HAD NO PLACE TO PUT IT. I HAD IT DELIVERED TO THE OFFICE AND IT WAS STACKED UP IN THE BACK OF THE BUILDING. SO, IT WAS BILLED TO THE SHOP ...

Q I WANT YOU TO FINISH EVERYTHING.

A THAT IT WAS BEING USED AT THE MATTHEW JOB. I'M FINISHED. I APOLOGIZE TO YOU.

Q ALRIGHT. WAS THAT A RENOVATION DONE AT THE OFFICE FOR PARKWAY OFFICES?

A THAT WAS, YES.

Q DID YOU HAVE A CONTRACT FOR IT? DID A&E HAVE TO GET A PERMIT?

A I'M NOT SURE IF WE BOUGHT A PERMIT OR NOT.

Q BUT THEY WERE SERVICES RENDERED BY THE COMPANY?

A IT WAS.

Q AND ACCORDING TO THE JOB LEDGER, YOU WROTE THE CHECKS TO PAY FOR THAT LABOR AND MATERIALS OUT OF YOUR ACCOUNT, DID YOU NOT, SIR? YOU MIGHT HAVE KNOWN HOW THEY WERE CHARGED, BUT YOU WROTE

THE CHECK, DIDN'T YOU?

A I DID.

Q YOU WROTE EVERY CHECK, DIDN'T YOU, SIR?

A I DID.

Q WHAT I WANT TO KNOW, SIR, DID YOU EVER BILL PARKWAY OFFICES FOR THE WORK THAT WAS DONE, WHATEVER IT WAS?

A I PROBABLY DID NOT WRITE A BILL OUT, BUT WE HAVE PAID FOR THOSE -- FOR THAT WORK.

Q DO YOU MEAN THAT THERE WAS AN INVOICE AND A PAYMENT BASED UPON THE INVOICE?

A I JUST STATED -- YOU ASKED ME THAT QUESTION, DID I EVER WRITE AN INVOICE TO PARKWAY OFFICES AND I SAID, "NO." MY STATEMENT WAS, I KNOW WE HAVE REIMBURSED A&E FOR THAT WORK.

Q BY A CHECK IN THE AMOUNT OF WHAT'S ON THE JOB LEDGER?

A NO, SIR. MR. DURANT, I HAVE TRIED TO EXPLAIN IT AND I'M NOT DOING A VERY GOOD JOB, AND I APOLOGIZE FOR THAT. I'VE TOLD YOU OVER AND OVER AGAIN, AND I'LL TELL YOU AGAIN, RIGHT NOW, IT'S JUST BECAUSE THERE IS A LABOR CHARGE ON THIS TICKET. JUST BECAUSE THERE IS A INVOICE FOR A PIECE OF PLYWOOD. JUST BECAUSE THERE IS AND INVOICE FOR A GALLON OF PAINT, DOES NOT MEAN

THAT GALLOON OF PAINT OR THAT PIECE OF PLYWOOD WAS USED AT THAT SHOP. WE -- OVER A PERIOD OF FOUR YEARS OF BUILDING CONDOS WHERE WE HAD TO CUT PLYWOOD, I'LL JUST GIVE YOU A FOR INSTANCE, OF CUTTING PLYWOOD FOR A PROJECT. I KNOW I'M BORING YOU TO DEATH.

Q NO, YOU'RE NOT.

A AND BEFORE WE CUT PLYWOOD ON THE PROJECT, DO YOU KNOW WHERE THAT PLYWOOD WAS CUT? THAT PLYWOOD WAS DELIVERED AND BILLED TO SHOP. THE LABOR WAS AT THE SHOP. THE LABOR WAS QUOTED AT THE SHOP, BUT IT WAS BEING DELIVERED TO ANOTHER PROJECT.

Q LET ME ASK YOU A QUESTION THEN. SOMETHING WAS DONE THERE AND THERE WERE SOME EXPENSES THAT OCCURRED. DID YOU TELL ...

A IT WAS.

Q ... MR. SMITH THAT YOU WEREN'T CHARGING FOR THOSE SERVICES TO PARKWAY OFFICES?

A I THINK, I HAVE CHARGED THEM. I'M JUST TRYING TO EXPLAIN I KNOW WE CHARGED -- I DIDN'T MAKE AN INVOICE. I STATED THAT. I DIDN'T MAKE A SPECIFIC INVOICE FOR $10,288.37. I MADE AN INVOICE -- I MEAN, IN MY MIND, AND WHAT I SAW IN THESE BOOKS, I KNEW WHAT WE HAD TO PAY FOR AND I KNOW A&E HAS BEEN REIMBURSED FROM PARKWAY

OFFICE, PARK PLACE PROPERTIES, OR ME PERSONALLY. ONE OF MY ENTITIES HAS PAID THAT MONEY BACK.

Q SO, YOU HAVE LOOKED AT THE JOB INVOICE OR THE JOB LEDGER AND YOU KIND OF GOT A FEELING OF WHAT YOU SHOULD BE PAYING?

A NO, SIR. I KNOW WHAT WENT ON AT THAT PROJECT. I MEAN, I DID IT.

Q OKAY. AND YOU DIDN'T TELL HIM YOU WERE TREATING THAT JOB ANY DIFFERENT THAN ANY OTHER JOB FOR A THIRD PARTY?

A NO. YOU KNOW, THE MAJORITY OF THE TIME THAT WE WORKED ON THAT OFFICE NEXT DOOR WAS WHEN WE HAD DOWN TIME. THERE WAS NOTHING GOING ON. WE NEEDED SOMEWHERE TO SEND OUR GUYS. THAT'S THE BOTTOM LINE.

Q OKAY. BUT ...

A YOU KNOW, THE OFFICE AND OUR WAREHOUSES ARE USED FOR CONSTRUCTION AND WE PERIODICALLY, WHEN I SAY "PERIODICALLY", MAYBE ONCE A MONTH, MAYBE SOONER, WE WOULD JUST HAVE TO TAKE A DOWN TIME FOR A COUPLE OF GUYS TO GO CLEAN ALL THAT MESS UP. BUT WE HAD MATERIALS REGULARLY BEING DELIVERED TO OUR OFFICE, BROUGHT BACK TO OUR OFFICE. ELLIS ACTUALLY USED SEVERAL OF THE WAREHOUSES TO STORE WINDOWS FROM A HOUSE HE

BUILT DOWN IN PRESWICK. THERE WERE THINGS LIKE THAT GOING ON ALL THE TIME. WE REGULARLY HAD TO CLEAN UP OUR BUILDINGS. SO, WHERE DID THE GUYS CHARGE THEIR LABOR TO? THEY CHARGED IT TO THE SHOP. THEY CHARGED IT TO THE OFFICE.

Q WHATEVER WAS OWED, YOU PAID IT SOMEWHERE, THAT'S YOUR TESTIMONY?

A THAT'S CORRECT.

Q THERE'S EVIDENCE OF THAT PAYMENT SOMEWHERE?

A I THINK WE'VE GIVEN YOU DOCUMENTS.

Q BUT YOU DIDN'T ENTER IT INTO THE JOB LEDGER. A PAYMENT MADE FOR WHAT WAS CHARGED TO THIS JOB?

A IT LOOKS LIKE CARRIE HAS NOT. NO, SIR.

JUDGE HOWE: WE CAN STOP AND GO ON A LUNCH BREAK.

OFF THE RECORD.

MR. DURANT: MAY I PROCEED, YOUR HONOR?

JUDGE HOWE: YES, YOU MAY.

Q WE'RE GOING TO PLAINTIFF EXHIBIT NUMBER "17", WHICH IS CALLED THE PLANATION LAKES JOB. MR. VEREEN, DID YOU PERSONALLY OWN A HOUSE AT PLANTATION LAKES, LOT NUMBER 19 AT PLANTATION LAKES AT CAROLINA FOREST?

A ME PERSONALLY?

AND DEFENDANT RESPONSES
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "17".

Q YES, SIR.

A NO.

Q YOU DID NOT?

A I OWED THE LOT.

Q EXCUSE ME. I THOUGHT THAT'S WHAT I ASKED YOU. THERE'S A COPY OF A DEED IN THERE FROM LONG BAY DEVELOPMENT AND CONSTRUCTION TO YOU FOR $5.00 AND THE ASSUMPTION OF A MORTGAGE. IS THAT WHEN YOU PURCHASED THE PROPERTY?

A THAT'S WHEN I PURCHASED IT FROM LONG BAY DEVELOPMENT. I WAS ALREADY A PARTNER AND PART OWNER OF THAT LOT PRIOR TO THAT.

Q YOU HAD AN INTEREST IN LONG BAY DEVELOPMENT ITSELF?

A I DID.

Q YOU PURCHASED IT OR IT WENT INTO YOUR NAME ACCORDING TO THIS BY A DEED DATED DECEMBER THE 1ST, 2003? IT'S THE FIRST DEED THAT IS ATTACHED TO THAT EXHIBIT?

A THAT'S CORRECT.

Q TELL ME, SIR, DID YOU OBTAIN A PERMIT USING THE

LICENSE OF A&E TO CONSTRUCT A HOME ON THE PROPERTY?

A I BELIEVE I DID.

Q DID YOU SET UP A JOB FILE WITH A&E FOR THE CONSTRUCTION OF THIS HOUSE WITH YOUR RECORDS THAT WERE STORED AT YOUR OFFICE?

A I'M NOT SURE TO BE HONEST WITH YOU.

Q YOU MEAN EVEN AFTER THIS LAWSUIT YOU HAVEN'T EVEN LOOKED TO SEE IF THERE IS A JOB FILE?

A I LOOKED AT SO MANY THINGS, SIR. I PROBABLY CAN'T REMEMBER EVERYTHING.

Q WELL, LOOK AT THE BACK. THERE'S A DOCUMENT CALL JOB LEDGER REPORT, JOB NUMBER 21,000-1,2,3,4, DOES THAT REFRESH YOUR MEMORY?

A ALRIGHT, SIR.

Q DOES THAT JOB LEDGER INDICATE THAT THE COMPANY A&E EXPENDED, ACCORDING TO ITS COMPUTERIZED RECORDS, $136,984.01 AT THE HOUSE WITH A CREDIT SHOWING A BALANCE OF $132,574.34?

A 132,574.94?

Q YES, SIR.

A IT DOES.

Q THAT IS THE JOB LEDGER THAT'S PART OF YOUR RECORDS?

A YES.

Q NOW, THAT WAS AN A&E JOB?
A THAT'S CORRECT.
Q AND A&E AND MR. SMITH PROVIDED LABOR ON THAT JOB ALSO, DID HE NOT?
A HE DID.
Q AND YOU CONSTRUCTED A HOME THERE? THAT WAS A SPEC HOUSE AS YOU CALL IT?
A THAT'S CORRECT.
Q AND THAT WAS OWNED BY YOU?
A THE PROPERTY IS OWNED BY ME, YES, SIR.
Q AND HOW LONG DID IT TAKE TO BUILD THAT HOUSE?
A I DON'T REMEMBER, SIR.
Q DID YOU WORK THERE ALSO?
A WORK ON THE HOUSE?
Q YES.
A YES, SIR.
Q DID YOU TELL MR. SMITH THAT YOU WERE GOING TO INVOICE AND BILL -- I'M SAYING A&E WAS GOING TO BILL ARTHUR WAYNE VEREEN FOR THE CONSTRUCTION COST AT THAT JOB?
A I AM REALLY NOT -- I AM NOT REALLY UNDERSTANDING WHAT YOU'RE ASKING ME.
Q WELL, LET ME ASK YOU SOMETHING. DID YOU EVER -- DID A&E EVER INVOICE ARTHUR WAYNE VEREEN FOR THE CONSTRUCTION COST SHOWN ON THE GENERAL LEDGER?

A NO.
Q AND WHAT DID YOU TELL MR. SMITH, IF ANYTHING, CONCERNING WHAT THE COMPANY WAS TO RECEIVE FOR THE $134,000.00 THEY PAID OUT?
A I DON'T THINK I HAVE EVER TOLD HIM ANYTHING, SPECIFICALLY. I KNOW THAT WE MADE A DEPOSIT INTO A&E FROM THAT HOUSE. AND I KNOW, AS I HAVE STATED EARLIER THIS MORNING, THAT I PERIODICALLY MADE DEPOSITS AND PAYMENTS INTO A&E AND THEY MAY NOT HAVE, SPECIFICALLY, SAID IT'S INTO THIS JOB OR ANOTHER JOB, BUT I PERIODICALLY MADE DEPOSITS INTO A&E.
Q YES, SIR. WELL, TELL ME, SIR, DID YOU HAVE A CONSTRUCTION LOAN FOR THIS JOB?
A I DID.
Q AND WHO DID YOU BORROW MONEY FROM?
A HORRY COUNTY STATE BANK.
Q DID YOU BORROW $281,000.00?
A THAT SEEMS RIGHT.
Q DID YOU HAVE THE CONSTRUCTION DRAW REQUEST?
A I DID.
Q I DIDN'T SEE THEM IN THE JOB FILE.
A LET ME BACK UP. I DID NOT DO CONSTRUCTION DRAW REQUESTS. THEY ACTUALLY -- LIKE I SAID, I THINK IT WAS DONE THROUGH THE BANK INSPECTOR.

Q SO THEY WOULD ...
A I DON'T THINK -- I'M PRETTY SURE THAT'S CORRECT.
Q SO, WAS THERE A CONTRACT BETWEEN YOU AND A&E FOR THE CONSTRUCTION THAT YOU HAD TO GIVE TO THE BANK TO GET THE LOAN?
A I DON'T RECALL THAT EITHER, SIR.
Q SO, WHEN THE BANK DISBURSED THAT MONEY, DID THEY WRITE THE CHECK TO YOU AND A&E OR HOW DID THEY DISBURSE IT?
A IT WAS DISBURSED TO ME.
Q YOU PUT IT IN YOUR ACCOUNT? YOU GOT $281,000.00. DID YOU EVER PAY ANY OF THESE BILLS FROM THE CONSTRUCTION JOBS?
A I DID.
Q WHERE?
A I PAID THEM THROUGH HORRY COUNTY STATE BANK.
Q WELL, WHAT ...
A I HAD AN ACCOUNT WITH HORRY COUNTY STATE BANK.
Q CORRECT. BUT DID YOU EVER WRITE A CHECK FROM THE CONSTRUCTION ACCOUNT TO A&E FOR THE 132?
A MR. DURANT, MAYBE I JUST DIDN'T ANSWER IT AGAIN, BUT I STATED EARLIER THAT I MADE DEPOSITS INTO A&E PERIODICALLY. THEY MAY NOT HAVE SPECIFICALLY SAID PLANTATION LAKES, BUT I PUT MONEY INTO A&E PERIODICALLY OVER A PERIOD OF

TIME AND ALSO AT THE CLOSING OF THIS HOUSE, THE PROCEEDS OF THAT WENT INTO A&E.

Q LET'S GET INTO THAT, NOW, MR. VEREEN. YOU HAVE SIGNED A CONTRACT TO SELL THIS CONTRACT TO A MR. AND MS. REX WHITLEY, IS THAT CORRECT?

A THAT'S CORRECT.

Q YOU SIGNED THAT CONTRACT ARTHUR WAYNE VEREEN?

A I'M NOT SURE TO BE HONEST WITH YOU.

Q IT WAS A WRITTEN CONTRACT, WASN'T IT?

A YES, IT WAS.

Q MR. WHITLEY HAD TO GET FINANCING AND ALL THAT KIND OF STUFF?

A CORRECT.

Q TELL ME, SIR, WHY DID YOU, ON JANUARY THE 5TH, 2005 AT 10:21 RECORD A DEED FROM ARTHUR WAYNE VEREEN TO A&E CONSTRUCTORS AND CONSULTANTS FOR $5.00 AND THE ASSUMPTION OF MORTGAGE DEBTORS?

A WHY DID I CHANGE THAT?

Q WHY DID YOU DEED THE PROPERTY THAT MORNING AT TEN O'CLOCK TO A&E?

A BECAUSE I REALIZED WHEN I SAW AN EARLIER CLOSING STATEMENT THAT IT WAS IN MY NAME AND I REALIZED THEN THAT MY AGREEMENT WITH ELLIS IN 2003, THAT EVERYTHING WE WERE DOING FROM JANUARY THE 1ST, OF 2004 FORWARD WAS GOING TO BE IN A&E. AND I

REALIZED THEN THAT I HAD NOT CHANGED THAT PIECE OF PROPERTY. HE KNEW WE WERE GOING TO BUILD A HOUSE AT PLANTATION LAKE AND I CHANGED IT AT THAT DATE. THAT'S THE REASON I DID THAT. IT SHOULD HAVE BEEN A&E. I SHOULD HAVE PUT THE LOT INTO A&E THAT DAY.

Q LET ME ASK YOU SOMETHING. ARE YOU TELLING ME THAT YOU TOLD MR. SMITH THAT YOU WERE GOING TO DEED THIS PROPERTY TO A&E?

A I DIDN'T TELL HIM I WAS GOING TO DEED THE PROPERTY. THAT'S NOT WHAT I SAID. I SAID THAT WE WERE GOING TO BUILD A HOUSE AT PLANTATION LAKES IS WHAT I SAID.

Q YOU SAID, "WE WERE"?

A A&E WAS GOING TO CONSTRUCT THIS HOUSE AT PLANTATION LAKES. AND SO I REALIZED THEN THAT I SHOULD HAVE -- MAYBE I DID IT WRONG. I JUST FELT LIKE AT THAT TIME I SHOULD HAVE ACTUALLY, TRADED, NOT TRADED. I SHOULD HAVE TRANSFERRED THE DEED TO THAT PROPERTY INTO A&E AT THE TIME I STARTED.

Q WELL, WITH ...

A AND I DIDN'T DO THAT.

Q WELL, DID YOU EVER DISCUSS WITH YOUR BUSINESS PARTNER WHETHER OR NOT HE KNEW A&E WAS ASSUMING

THIS MORTGAGE? ARE YOU TELLING ME THERE WAS A MORTGAGE ASSUMPTION?

A NO. NO, THERE WAS A -- THIS WAS A QUICK DEED. I CHANGED THE PROPERTY THE DAY I CLOSED THIS LOAN.

Q WELL, WHAT DOES IT SAY? DOES IT NOT SAY THAT FOR THE CONSIDERATION OF $5.00 AND ASSUMPTION OF THE MORTGAGE DEBT AS SET FORTH BELOW."? ISN'T THAT WHAT THAT DEED SAYS?

A WHAT PAGE IS THAT ON, SIR?

Q IT'S ON THE FRONT PAGE OF THE DEED. DO YOU WANT ME SHOW YOU?

A YES, SIR. OKAY. IT SAYS, THE TRANSFERRED FOR MYSELF TO A&E ASSUMING THE MORTGAGE AND THE DEBT.

Q DID YOU TALK WITH MR. SMITH ABOUT A&E ASSUMING YOUR DEBT ON THIS PROPERTY?

A I DID NOT.

Q ON THE AFFIDAVIT THAT'S ON THE BACK OF IT, DID YOU NOT SWEAR THAT THIS TRANSACTION IS EXEMPT FROM THE RECORDING FEE BECAUSE THE DEED IS TRANSFERRING REALTY, IN WHICH THE VALUE OF THE REALTY IS EQUAL TO OR LESS THAN $100.00? THAT'S YOUR SIGNATURE, ISN'T IT?

A IT IS.

Q THE ANSWER IS YES?
A YES.
Q WELL, TELL ME, SIR, YOU ACTUALLY HAD A CLOSING THAT VERY NEXT DAY, DIDN'T YOU? EXCUSE ME. THAT SAME DAY ON JANUARY THE 5TH AT THE LESTER LAW FIRM, DID YOU NOT?
A EXCUSE ME. IS THERE A CLOSING STATEMENT IN THAT PACKAGE?
Q YES, SIR.
A JUST ONE SECOND. I APOLOGIZE.
Q DO YOU SEE IT?
A I'M GETTING THERE.

JUDGE HOWE: WHAT EXHIBIT IS THIS?

MR. DURANT: "17", YOUR HONOR.

A YES, SIR.
Q AND YOU DEEDED THE PROPERTY TO MR. AND MRS. WHITLEY WHERE THE PURCHASE PRICE WAS $395,000?
A THAT'S CORRECT.
Q AS PART OF THE CLOSING OF YOUR LOAN IN THE AMOUNT OF $265,999.73 WAS PAID TO HORRY COUNTY STATE BANK ON YOUR CONSTRUCTION LOAN?
A YES. THE CONSTRUCTION LOAN AND THE LAND VALUE, THE TOTAL VALUE. YES, SIR.
Q AND IT SAYS, "CASH TO SELLER $102,480.96"?
A THAT'S CORRECT.

Q I WANT TO ASK YOU, SIR, DID YOU EVER TELL MR. SMITH THAT YOU ATTENDED A CLOSING AT ANY LAW FIRM SELLING THIS PROPERTY AND RECEIVING THE FUNDS?

A NO.

Q THEY WERE SUBSEQUENT TO THIS? THERE WERE SEVERAL CORRECTED DEEDS, IS THAT CORRECT, THAT ARE IN THERE?

A I'M NOT SURE WHAT A CORRECTED DEED IS.

Q WELL, IT'S CORRECTING SOMETHING TO DO WITH THE NAME OF THE PARTIES. LOOK IN THERE AND SEE IF YOU SEE A DOCUMENT, "SECOND CORRECTED QUICK CLAIM DEED."

A IS THAT IT RIGHT THERE?

Q YES. THAT'S IT. THAT'S YOUR SIGNATURE ON THE DEED ISN'T, SIR?

A IT IS.

Q AND THAT'S WHERE THAT SAME LOT ...

MS. COOK: YOUR HONOR, I OBJECT.

Q THE $102,000.00 ON THE CLOSING STATEMENT WENT INTO THE ACCOUNT OF A&E?

A YES, IT DID.

Q HOW DID YOU TREAT THAT WHEN, WHEN YOU FILED YOUR 2005 FEDERAL INCOME TAX RETURNS, MR. VEREEN?

A I DON'T HAVE ANY IDEA.

Q ISN'T IT TRUE, SIR, THAT THERE WAS NO REPORT OF ANY GAIN TO YOU FROM THE SELLER OF THE PROPERTY?
A I'M NOT SURE ABOUT THAT.
Q DIDN'T YOU BOOK $102,000.00 RECEIVED AS AN ACCOUNT RECEIVABLE FROM THE COMPANY TO YOU ON YOUR FEDERAL AND STATE INCOME TAX RETURNS?
A I'M NOT SURE, SIR.
Q YOU HAVEN'T HAD THE CHANCE TO LOOK AT THEM SINCE THIS LAWSUIT WAS FILED?
A I'M NOT SURE. I JUST DON'T RECALL.
Q SO, ARE YOU SAYING NOW THAT, THAT WAS A MISTAKE YOU THINK OR YOU DON'T KNOW?
A I DON'T KNOW, SIR.
Q DID YOU COUNT THIS 102 BEING THE 102,000 THAT YOU PUT INTO THE COMPANY?
A I DID NOT. IT'S FILED -- I THINK RICHARD, ACTUALLY, POSTED ON ONE OF THE JOB LEDGERS THAT HE SENT BACK WAS A PAYMENT ON PLANTATION LAKES.
Q PAYMENT ON THE MONEY YOU OWNED A&E FOR ...
A PLANTATION LAKES.
Q LET ME ASK YOU SOMETHING. THERE WAS SOME MORE WORK DONE BY A&E ON THE WHITLEY HOUSE, WAS THERE NOT?
A WE DID SEVERAL THINGS. I'M NOT SURE WHAT IT WAS. NOTHING LARGE, BUT I DON'T RECALL. I

THINK ONE OF THEM WAS WE BUILT A BRICK SCREEN AROUND A TRASH CAN.

Q SO, YOUR TESTIMONY IS THAT, THAT WAS SUPPOSED TO BE AN A&E JOB? SO, YOU TRANSFERRED IT SO A&E COULD MAKE ALL THE PROFITS, IS THAT WHAT IT IS? IS THAT WHAT YOU'RE SAYING?

MS. COOK: OBJECTION.

JUDGE HOWE: HE WAS FIXING TO EXPLAIN. LET'S SEE WHAT HE SAYS.

A I WAS GETTING READY TO SAY, I DON'T KNOW WHAT YOU'RE ASKING ME.

Q YOUR TESTIMONY WAS YOU TRANSFERRED IT THAT MORNING AT TEN O'CLOCK BECAUSE IT WAS REALLY AN A&E ASSET, IS THAT YOUR TESTIMONY? IT WAS SUPPOSED TO BE IN A&E AND NOT ARTHUR WAYNE VEREEN?

A I AM SAYING WE OWNED MONEY TO A&E AND THAT'S WHY I PUT THAT MONEY IN THERE, YES, SIR. MONEY SHOULD HAVE GONE TO A&E. YES, SIR.

Q SO THAT'S WHY YOU TRANSFERRED THE TITLE?

A I DID.

Q LET ME UNDERSTAND YOU DID THIS THAT MORNING AND THEN THE DEED FROM A&E WAS RECORDED AT THREE O'CLOCK THAT AFTERNOON?

A I THINK I SAID EARLIER, WHEN I SAW A CLOSING

DOCUMENT PRIOR TO THIS CLOSING AND REALIZED IT WAS STILL IN MY NAME, I HAD JUST FORGOTTEN TO DO IT EARLIER. IT HADN'T CROSSED MY MIND AND THAT'S WHY I KNEW THEN THAT I NEEDED TO DO THAT BECAUSE I WAS DOING IT UNDER A&E, THE WHOLE THING.

Q HAS THERE BEEN ANY ACCOUNTING FOR THE CONSTRUCTION ON THAT BEING PAID OFF OUT OF THIS ACCOUNT?

A ACCOUNTING FOR THE CONSTRUCTION LOAN?

Q YEAH. YOU TRANSFERRED IT TO A&E AND THE CONSTRUCTION LOAN OF $281,000 WAS PAID OFF?

A THAT'S CORRECT.

Q HAS THERE BEEN AN ACCOUNTING OF WHERE THAT MONEY WENT? AND DID YOU PAY TAXES ON THAT MONEY IF YOU DIDN'T USE IT FOR CONSTRUCTION COST?

A I THINK WE HAVE PROVIDED YOU COPIES OF CHECKS THAT I HAVE WRITTEN FOR NUMEROUS JOBS. THINGS THAT I HAVE WRITTEN -- I'LL GO BACK TO WHAT I SAID EARLIER. I WAS CONSTANTLY PUTTING MONEY INTO A&E. CONSTANTLY PAYING A&E'S INVOICES AND I HAVE DONE THE SAME THING ON THIS PARTICULAR JOB AS WELL.

Q YOU PUT YOUR MONEY IN HIS JOB?

A I DID PUT SOME MONEY IN THAT JOB, ABSOLUTELY.

Q YOU OWNED IT, DIDN'T YOU?

A NO. A&E OWNED IT. I JUST TOLD YOU THAT I SHOULD HAVE TRANSFERRED THAT WHEN I STARTED THE HOUSE. I HAD FORGOTTEN ABOUT IT UNTIL THE START OF CLOSING.

Q THEY OWNED IT FOR ABOUT FIVE HOURS, DIDN'T THEY, A&E?

A THAT'S TRUE. THAT'S TRUE.

MS. COOK: NO OBJECTION, YOUR HONOR, TO EXHIBIT "32".

Q MR. VEREEN, I'M GOING TO HAND YOU PLAINTIFF'S EXHIBIT NUMBER "32", WHICH IS IN EVIDENCE. IT'S A CHECK WRITTEN BY REX A. WHITLEY, DATED 4/11/05 FOR A&E CONSTRUCTION FOR $11,533.00, WHICH APPEARS TO BE DEPOSITED WHERE?

A IT LOOKS LIKE IT WAS DEPOSITED INTO PARK PLACE PROPERTIES.

CHECK FROM MR. WHITLEY
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "32".

Q HOW DID YOU GET A CHECK PAYABLE TO A&E DEPOSITED INTO PARK PLACE PROPERTIES ACCOUNT?

A I DON'T KNOW, SIR. THAT IS NOT MY HANDWRITING. I DIDN'T DO THAT. CARRIE MUST'VE DONE THAT.

BUT AS I STATED EARLIER, I KNOW I HAVE DEPOSITED SOME FUNDS THAT PROBABLY SHOULD HAVE GONE SOMEWHERE ELSE, BUT I HAVE ALSO STATED AND I'VE TRIED TO SHOW YOU AND I'VE PROVIDED YOU COPIES OF THOSE CHECKS, FRONT AND BACK, CASH DEPOSITED PUT IT IN BUT I ...

Q THE QUESTION IS WHY ...

A YES, MA'AM. I'M THROUGH.

Q WHY DID YOU TAKE A CHECK PAYABLE TO A&E, WHERE YOU'RE THE TREASURER, AND SIGN CHECKS AND DEPOSIT IT INTO ANOTHER ACCOUNT WHEN IT'S MADE PAYABLE TO A&E?

A SIR, I JUST TESTIFIED THAT I DIDN'T DEPOSIT THAT CHECK.

Q YOU DIDN'T KNOW IT WAS DEPOSITED INTO YOUR OWN ACCOUNT? PARK PLACE PROPERTIES WAS YOUR ACCOUNT, ISN'T IT?

A IT IS, ABSOLUTELY.

Q THE ONLY PERSON WHO SIGNS ON THAT ACCOUNT IS YOU AND YOUR DAUGHTER, CORRECT?

A NO, SIR.

Q WHO ELSE SIGNS ON IT?

A MY WIFE DOES AS WELL.

Q MRS. DREWETT DOESN'T SIGN ON IT, DOES SHE?

A I'M NOT SURE IF SHE DOES OR NOT.

Q YOU DIDN'T KNOW THIS CHECK WAS DEPOSITED INTO YOUR ACCOUNT, IS THAT WHAT YOU'RE TELL ME?

A I DON'T RECALL, SIR. THAT'S WHAT I'M TRYING TO TELL YOU.

Q HAVE YOU -- HAVE YOU PAID THIS MONEY BACK?

A I THINK I PAID THAT MONEY BACK SEVERAL TIMES, SIR. AS I STATED EARLIER, IF YOU WILL LOOK AT THE DEPOSITS THAT I HAVE PUT INTO A&E AND IF YOU WILL LOOK AT THOSE CHECKS, YOU TOTAL IT ALL UP, IT WILL SHOW THAT, THAT MONEY'S BEEN PAID BACK.

Q LET ME ASK YOU SOMETHING, SIR. WHEN YOU GOT THIS CHECK, DID YOU TELL MR. SMITH THAT THE CHECK FROM THE WHITLEY'S CAME IN AND WAS DEPOSITED INTO YOUR ACCOUNT? DID YOU DISCUSS IT WITH HIM?

A HOW COULD I? I JUST TESTIFIED THAT I WASN'T AWARE, SIR.

Q YOU WERE NOT AWARE?

A I JUST TESTIFIED TO THAT.

Q OKAY. BUT YOU WEREN'T AWARE WHEN THIS LAWSUIT WAS FILED THAT THIS CHECK HAD BEEN DEPOSITED INTO PARK PLACE PROPERTIES ACCOUNT?

A NO, SIR.

Q YOU DIDN'T GIVE US CREDIT FOR PARK PLACE FOR THE $11,533.00?

A I DIDN'T GIVE YOU CREDIT?
Q YES, SIR. YOU SAID THAT ALL THIS MONEY THAT PARK PLACE WAS -- THAT WE OWNED PARK PLACE -- THAT A&E -- HAVE YOU GIVEN A&E CREDIT FOR THAT $11,000.00 IF YOU DIDN'T KNOW ...
A I DON'T KNOW. WE CAN LOOK AT OUR PAPERWORK AND DOCUMENTS AND TELL YOU.

MS. COOK: YOUR HONOR, I DON'T HAVE ANY OBJECTION TO THIS.

Q MR. VEREEN, I HAVE GOT PLAINTIFF'S EXHIBIT NUMBER "31", WHICH IS IN EVIDENCE. I'M GOING TO HAND YOU A SERIES OF CHECKS; THE FIRST IS FROM -- A CHECK FROM PARKWAY CARDIOLOGY, LLC TO ARTHUR VEREEN CONSTRUCTION IN THE AMOUNT OF 12, 433 AND IT APPEARS THAT IT WAS DEPOSITED INTO PARKWAY OFFICES ACCOUNT.
A THAT'S WHAT IT LOOKS LIKE, YES, SIR.

BUSINESS CHECKS FROM DR. LALE
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "31".

Q DID YOU DEPOSIT THAT IN THERE?
A NO, SIR.
Q WERE YOU AWARE THAT THIS CHECK FROM SOUTH STRAND CARDIOLOGY WAS DEPOSITED INTO PARKWAY OFFICES

ACCOUNT?

A I DON'T THINK SO, NO, SIR.

Q WHEN YOU WERE DETERMINING HOW MUCH MONEY WAS DUE, DID YOU GIVE A&E CREDIT FOR THIS CHECK YOU DEPOSITED IN YOUR WIFE'S COMPANY, PARKWAY OFFICES?

A ABSOLUTELY.

Q HOW DID YOU KNOW ABOUT IT? I THOUGHT YOU SAID YOU DIDN'T ...

A I DIDN'T KNOW ABOUT IT. YOU ASKED ME IF I KNEW ABOUT IT AT THE TIME, SIR, AND I DIDN'T.

Q WHEN DID YOU FIND OUT ABOUT IT?

A I'M TELLING YOU THAT WE HAVE DONE AN ACCOUNTING AND YOU WILL FIND THAT I THINK THE CHECK THAT WAS DEPOSITED FROM DOCTOR LALE'S OFFICE WAS ABOUT $90,000.00 THE BEST I CAN REMEMBER. I DON'T REMEMBER THE EXACT DATE, BUT AT THE SAME TIME ARTHUR VEREEN CONSTRUCTION COMPANY, AS WELL AS PARKWAY PROPERTIES, HAS PAID A NUMBER OF INVOICES, A NUMBER OF BILLS, ON A LOT OF JOBS.

Q PARKWAY OFFICES HAS?

A PARK PLACE PROPERTIES. I'M SORRY. AND I DON'T KNOW WHY THAT'S DEPOSITED INTO PARKWAY OFFICE. I HAVE NO IDEA.

Q WHY WOULD YOU HAVE PUT IT IN PARKWAY OFFICES IF

PARKWAY OFFICES WAS JUST THE LANDLORD?

A I CAN'T ANSWER THAT QUESTION. THAT'S NOT MY HANDWRITING. I DIDN'T DO THAT.

Q I HAND YOU ANOTHER ONE. THIS IS A CHECK FROM ARTHUR VEREEN CONSTRUCTION. IT APPEARS TO BE DEPOSITED IN ARTHUR VEREEN CONSTRUCTION. IT'S FOR $50,000.00 IN MAY OF 2004.

A THAT'S CORRECT.

Q DID YOU MAKE THAT DEPOSIT?

A I DID NOT.

Q ARE YOU TELLING ME THAT YOU DIDN'T KNOW IT WAS MADE, WHEN IT WAS MADE?

A NO, SIR. I DIDN'T TELL YOU THAT. MORE THAN LIKELY, I DID KNOW IT BUT I DIDN'T MAKE THAT DEPOSIT.

Q BUT YOU INVOICED THAT IN THE NAME OF ARTHUR VEREEN CONSTRUCTION FOR AN A&E JOB, RIGHT?

A I THINK WE TESTIFIED THAT EARLIER WHEN YOU WERE ASKING ME ABOUT SOUTH STAND CARDIOLOGY JOB.

Q SO, YOU WERE AWARE OF THIS ONE?

MR. DURANT: THESE ARE IN NO ORDER, YOUR HONOR.

Q HERE IS A COUPLE FROM '09. IT LOOKS LIKE THERE WERE TWO CHECK FROM BEACH MEATS TO A&E CONSTRUCTOR AND CONSULTANTS FOR $1,500.00.

WHERE WERE THOSE CHECKS DEPOSITED? FIRST OF ALL, WHO WERE THEY MADE OUT TO?

A ONE IS MADE OUT TO PARK PLACE PROPERTIES AND THEN THERE ARE TWO MADE TO A&E.

Q FOR HOW MUCH?

A $500.00.00 AND ONE MADE OUT TO A&E FOR $1,000.00.

Q WHERE WERE THOSE CHECKS DEPOSITED?

A THEY WERE DEPOSITED INTO PARK PLACE PROPERTY. AND OUR ACCOUNT PICKED THOSE UP AND THEY WERE ACCOUNTED FOR.

Q OKAY. BUT YOU WERE AWARE THAT THESE DEPOSITS WERE PUT INTO PARK PLACE PROPERTIES BEFORE THEY WERE DONE?

A BEFORE THEY WERE DEPOSITED IN THERE?

Q YES.

A NO, SIR. I AM NOT.

Q WHEN DID YOU FIND OUT ABOUT THIS?

A WE FOUND OUT ABOUT IT DURING OUR ACCOUNTING FOR '09.

Q SO, YOU WERE FIGURING OUT WHETHER THE COMPANY OWES YOU MONEY OR NOT? YOU DID KNOW ABOUT THIS ONE?

A NO, SIR. THAT'S NOT TRUE. THAT'S NOT WHAT I JUST SAID, MR. DURANT. I TOLD YOU WE STARTED

DOING OUR ACCOUNTING, PULLING OUT OUR CHECKS, PULLING OUT ALL OUR DEPOSITS, PAYABLES. WE ACCOUNTED FOR EVERY DIME OF THAT. IF IT WAS A CHECK JUST, FOR INSTANCE, THIS CHECK RIGHT HERE, THAT WENT INTO PARK PLACE PROPERTY. WE CREDITED IT TO A&E AND THAT'S WHAT I JUST STATED EARLIER.

Q I HAND YOU A CHECK. NOW, AS FAR AS A LOT DRAW -- IT'S FOR A DRAW AND I'M SURE IT'S WILLOUGHBY'S MARCH 26TH, 2004, TO ARTHUR VEREEN CONSTRUCTION OF $34,880.00?

A THAT LOOKS LIKE A WILLOUGHBY, YES, SIR.

Q THAT WAS A PAYMENT FOR VEREEN FOR THE WILLOUGHBY PLACE?

A THAT'S CORRECT.

Q THAT WAS PUT INTO THE ACCOUNT OF ARTHUR VEREEN CONSTRUCTION?

A THAT'S CORRECT. AND IT'S BEEN ACCOUNTED FOR AS WELL.

Q AND HERE'S ANOTHER CHECK JUST LIKE THAT ONE TO ARTHUR VEREEN FOR $30,100.00. WAS THAT FOR A WILLOUGHBY INVOICE PAYMENT?

A YES, SIR.

Q AND THAT WAS PUT INTO WHAT ACCOUNT?

A ARTHUR VEREEN CONSTRUCTION.

Q LET ME ASK YOU, SIR, WHEN THESE CHECKS WERE --

WHEN THIS BILLING WAS DONE AND THESE CHECKS WERE PUT IN ARTHUR VEREEN CONSTRUCTION, DID YOU TELL MR. SMITH THAT YOU WERE TAKING THESE DEPOSITS FROM THE WILLOUGHBY JOB AND PUTTING THEM INTO ARTHUR VEREEN CONSTRUCTION?

A I DID NOT. ARTHUR VEREEN CONSTRUCTION COMPANY AT THE TIME WAS PAYING THOSE INVOICES, A&E WAS NOT. IN OUR ACCOUNTING, AS I STATED EARLIER, WE'VE ACCOUNTED FOR EVERY ONE OF THOSE CHECKS.

Q YOU MEAN AFTER THE LAWSUIT WAS FILED?

A NO. DURING THE PROCESS WE WERE TRYING TO DO THIS PRIOR TO THE LAWSUIT.

Q I HAND YOU A LETTER, IT'S ON A&E STATIONARY. IS THAT YOUR SIGNATURE?

A IT APPEARS TO BE.

Q WOULD YOU PUBLISH IT? READ IT TO THE COURT?

A IT SAYS, "SUE, HOPEFULLY, I HAVE FILLED THIS APPLICATION FOR INSURANCE RENEWAL OUT CORRECTLY. ONE AREA I'M STILL CONFUSED WITH IS INCLUDING ARTHUR VEREEN CONSTRUCTION COMPANY AS AN ADDITIONAL INSURER. THIS COMPANY HAS NOT ENTERED INTO A CONTRACT TO PROFORM WORK IN MORE THAN THREE OR FOUR YEARS. A&E HAS AN UNLIMITED GENERAL CONTRACTORS LICENSE AND EVERY CONTRACT WE HAVE PERFORMED SINCE 2003 HAS BEEN UNDER A&E.

I AM CONCERNED THAT DUE TO THE PROBLEMS WITH ARTHUR VEREEN CONSTRUCTION, THE INCLUDING UNDER THE PRESENT INSURANCE MAY CONFUSE OR MUDDY THE SITUATION. I HAVE ASKED JAMES TO INSURE ONLY A&E AND OMIT AVC. SHOULD WE LOOK INTO THIS? ALSO, THE REASON OUR GROSS RECEIPTS ARE DOWN FROM PREVIOUS YEARS IS DUE TO THE FACT WE DO NOT INTEND TO BUILD ANY CONDO'S IN THE FUTURE. OUR DIRECTION IS IN THE DIRECTION OF SINGLE FAMILY HOMES, REMODELING, AND LIGHT COMMERCIAL BUILDING NOT TO EXCEED TWO STORIES. WE FULLY EXPECT A REDUCTION IN OUR BUSINESS DURING THIS TRANSITION BUT EXPECT IT TO TAKE OFF IN ABOUT SIX MONTHS."

Q THAT'S TO SUE EWALD. THAT'S YOUR WORKERS' COMP UNDERWRITER?

A GENERAL LIABILITY WORKERS' COMP.

Q RIGHT. AND YOU'RE TELLING HER IN THAT LETTER THAT ARTHUR VEREEN CONSTRUCTION HAS NOT DONE ANY CONTRACTING WORK SINCE OCTOBER 2003?

A THAT'S CORRECT.

Q THAT'S YOUR SIGNATURE?

A THAT'S CORRECT.

Q YOU HAD AN AUDIT, DID YOU NOT, OF YOUR WORKERS' COMP?

A YEAH.

Q FOR 2006, 2007?
A LET ME JUST EXPLAIN SOMETHING TO YOU. INSURANCE WAS UNDER ARTHUR VEREEN CONSTRUCTION COMPANY FROM 2000 -- SOLELY 2004. I THINK IT WAS THE FIRST PART OF 2005. THEY THEN ADDED A&E, BUT THEY WOULD NOT TAKE IT OFF, TAKE ARTHUR VEREEN CONSTRUCTION COMPANY OFF BECAUSE WE WERE ARTHUR VEREEN CONSTRUCTION COMPANY. IT WAS INSURED FOR SO MANY YEARS, PEOPLES UNDERWRITERS WOULD NOT DO IT. I ASKED THEM NOT TO, BUT I NEVER UNDERSTOOD WHY BOTH ENTITIES HAD TO BE PUT ON THAT POLICY.
Q AS A RESULT OF THAT LETTER AND THE POLICY PEOPLE'S UNDERWRITERS ISSUED A CHECK PAYABLE TO A&E FOR $49,221.00, DID THEY NOT?
A THAT'S CORRECT.
Q WHAT ACCOUNT DID YOU PUT THAT ONE IN?
A I NEED A DEPOSIT SLIP. I DON'T KNOW.
Q YOU PUT IT IN PARK PLACE PROPERTIES, DIDN'T YOU, SIR? YOU DON'T KNOW?
A IF YOU GIVE ME A DEPOSIT SLIP, I'LL VERIFY THAT.
Q WE'LL PRODUCE THAT LATER. DID YOU TELL MR. SMITH THAT THE COMPANY RECEIVED A $49,000.00 REFUND CHECK FOR THE 2006/2007 WORKERS' COMP AUDIT?
A NO, SIR.

Q WHY DID YOU NOT TELL HIM?
A HE WASN'T AROUND.
Q DID YOU TELL HIM YOU DIDN'T DEPOSIT IT INTO THE ACCOUNT?
A I DID NOT.
Q HERE IS ANOTHER REFUND CHECK TO A&E. TO A&E CONSTRUCTION FROM PEOPLE'S UNDERWRITERS FOR TWO THOUSAND AND SOMETHING DOLLARS.
A WELL, I'M NOT REALLY SURE WHAT THAT IS SINCE IT HAS MY NAME ON IT.
Q WHO DOES IT PAY?
A IT SAYS, "A&E CONSTRUCTION AND MR. WAYNE VEREEN."
Q WHERE WAS THAT DEPOSITED?
A DEPOSITED INTO PARK PLACE PROPERTIES.
Q IS PARK PLACE PROPERTIES A PAYEE OF THAT CHECK?
A NO, SIR.
Q DID YOU TELL MR. SMITH THAT YOU RECEIVED THIS CHECK AND PUT IT IN ANOTHER COMPANY ACCOUNT?
A NO, SIR.
Q AND NOW, YOU'RE AWARE THAT THE SEVEN OAKS JOB WAS ACTUALLY AN OLD ARTHUR VEREEN JOB THAT YOU WERE FINISHING UP?
A THAT'S RIGHT.
Q YOU ACTUALLY OWNED PART OF THAT, DID YOU NOT?

A I DID.
Q AND I BELIEVE THE RECORDS OF THE COMPANY WILL SHOW THAT $89,000.00 WORTH OF A&E EXPENSES WERE PAID ON THAT JOB, AND THERE'S A JOB LEDGER FOR IT?
A I WOULD LIKE TO SEE THAT, SIR.
Q YOU WILL ADMIT THAT YOU HAVEN'T PAID THE COMPANY BACK ANY OF THAT MONEY, CORRECT?
A NO, SIR. I WILL NOT ADMIT THAT.
Q IF YOU PAID IT BACK, IT WOULD BE THROUGH THIS OTHER WAY, YOU PUT MORE MONEY IN THAN YOU TOOK OUT?
A YES, SIR.
Q BUT YOU ACTUALLY, ARTHUR VEREEN CONSTRUCTION, GOT PAID FOR DOING THAT EXTRA WORK, DIDN'T THEY?
A SEVEN OAKS?
Q YES, SIR.
A NO, SIR.
Q WELL, I HAND YOU AN EXHIBIT. IS THAT A CHECK THERE FROM SEVEN OAKS TO ARTHUR VEREEN CONSTRUCTION?
A IT IS. YOU SAID ADDITIONAL WORK. IT'S NOT FOR EXTRA WORK.
Q WHAT DOES IT SAY IT'S FOR? IT'S AN INVOICE, ISN'T IT?

A IT IS. IT'S INVOICED FOR CONSTRUCTION WORK THAT I WAS DOING ON THE PROJECT. THE FINAL PAYMENTS ON IT. THAT'S WHAT IT'S FOR. IT'S NOT EXTRA WORK.

Q I KNOW, BUT YOU DEPOSITED THAT INTO ARTHUR VEREEN CONSTRUCTION?

A I DID.

Q YOU CHARGED BILLS AND LABOR TO A&E, DID YOU NOT, FOR THAT JOB?

A I WOULD HAVE TO LOOK AT THE JOB LEDGER. I'M NOT SURE OF THAT AS WELL.

Q YOU DIDN'T TAKE THAT INTO ACCOUNT WHEN YOU WERE FIGURING UP WHO OWNED WHO WHAT?

A I THINK WE ACCOUNTED FOR EVERYTHING, MR. DURANT.

Q THIS PART?

A I'M NOT SURE ABOUT THAT, BUT I THINK WE HAVE. I WOULD HAVE TO LOOK AT THAT AND SEE, THIS COULD'VE BEEN A DISTRIBUTION CHECK FROM THE PARTNERSHIP. I'M NOT SURE.

Q IT SAYS, "INVOICE" ON THERE, DOESN'T IT?

A I WOULD HAVE TO LOOK AT IT AND SEE, SIR.

Q INVOICE 220.

A I THINK THAT SAYS, 220 OF ...

Q THAT WAS DEFINITY AN ARTHUR VEREEN JOB, WASN'T IT?

A YES, SIR. IT PROBABLY WAS.
Q NOW, ELIZABETH SISSON, YOUR DAUGHTER, WORKED FOR THE COMPANY, CORRECT?
A YES.
Q AND SHE WAS A LAWYER?
A SHE IS A LAWYER.
Q RIGHT. SHE WAS RESPONSIBLE FOR A LOT OF THE PUNCH WORK AND OTHER STUFF FOR THE COMPANY? SHE WORKED THERE EVERYDAY?
A THAT'S CORRECT.
Q SOME TIME IN '07 OR THE EARLY PART OF '08, SHE DID A REMODEL IN HER HOUSE?
A THAT'S CORRECT.
Q THE COMPANY EXPENDED A HUNDRED AND SOMETHING THOUSAND DOLLARS FOR THE MONEY FOR THE RENOVATIONS FOR HER HOUSE?
A I DON'T KNOW THE EXACT FIGURE.
Q WELL, IT'S ON THE JOB RECORDS, ISN'T IT?
A I STILL DON'T KNOW THE EXACT FIGURE.
Q DO YOU KNOW WHETHER OR NOT SHE REIMBURSED THE COMPANY FOR ALL THE MONEY THAT WAS TAKEN OUT?
A SHE HAS EITHER REIMBURSED THE MONEY THAT WAS EXPENDED BY A&E AS WELL AS THE MONEY THAT WAS EXPENDED BY PARK PLACE. PARK PLACE PROPERTIES HAD MADE SOME DEPOSITS IN THAT PERIOD. DURING

THAT PERIOD OF TIME ON HER BEHALF.

Q I BELIEVE I TOOK YOUR DEPOSITION EARLIER AND SHE AND YOU BOTH TESTIFIED THAT THE LAST INSTALLMENT OF $35,803.10 WAS PAID IN OCTOBER OF '08, REPRESENTING THE BALANCE OF THE MONEY DUE, NOT ANY PROPERTY OVERHEAD. YOU SAID SHE PAID IT BACK IN FULL, CORRECT?

A THAT'S CORRECT.

Q SIR, WHO WAS THAT CHECK MADE PAYABLE TO?

A IT WAS MADE TO PARK PLACE PROPERTY.

Q A&E WAS THE ONE WHO HAD THE JOB LEDGER WITH THE MONEY IN IT, WAS IT NOT?

A I JUST TESTIFIED, TWO MINUTES AGO, THAT PARK PLACE PROPERTY HAD MADE PAYMENTS AND DEPOSITS INTO A&E ON BEHALF OF HER ON HER JOB.

Q WAS IT REFLECTED IN THE JOB LEDGER OF THE COMPANY?

A I'M NOT SURE ABOUT THAT, BUT I KNOW WE MADE THE DEPOSIT.

Q DID YOU EVER TELL MR. SMITH THAT YOUR DAUGHTER PAID IN FULL FOR ALL THE MONEY THAT WAS PAID OUT FOR LABOR AND MATERIALS? I'M NOT TALKING ABOUT PROFIT OR OVERHEAD. DID YOU EVER TELL HIM THAT SHE HAD PAID IN FULL?

A I HAVEN'T TALKED TO MR. SMITH. HE HASN'T BEEN

AROUND.

Q SO THE FINAL PAYMENT, ACCORDING TO YOU, WAS PUT IN YOUR COMPANY, PARK PLACE PROPERTIES, AND DEPOSITED ON 10/29? THAT'S PART OF THIS, I PUT IT IN, SO I GET IT OUT SCENARIO?

A IT'S NOT A SCENARIO, SIR. IT'S A FACT.

Q I HAND YOU A CHECK DATED FEBRUARY 23RD OF '05 FROM MAULDIN ENTERPRISES DOING BUSINESS AS MARBLE SLAB. HAVE YOU SEEN THAT CHECK?

A I HAVE.

Q WHO IS THAT MADE PAYABLE TO?

A IT'S MADE PAYABLE TO A&E CONSTRUCTION.

Q THOSE PEOPLE ARE RELATED TO YOU?

A YES.

Q WHAT'S YOUR RELATION TO THEM?

A HE WAS MY NIECE'S HUSBAND.

Q OKAY. THERE'S A JOB LEDGER FOR THAT UNDER RECORDS OF A&E?

A THERE IS.

Q SIR, WHERE DID YOU PUT THAT DEPOSIT?

A IT WAS DEPOSITED INTO PARK PLACE PROPERTIES.

Q WHO AUTHORIZED YOU TO PUT THAT DEPOSIT IN PARK PLACE PROPERTIES?

A I BELIEVE I WROTE THAT ONE, SIR.

Q THAT'S YOUR HANDWRITING?

A I THINK IT IS. IT MAY NOT BE THE DATES NOW, BUT I BELIEVE THE NUMBERS ARE -- IT COULD BE -- IT COULD NOT BE. NORMALLY YOU CAN'T READ MY WRITING.

Q DID YOU TELL MR. SMITH THAT YOU TOOK THIS CHECK PAYABLE TO A&E FOR MARBLE SLAB AND PUT IT IN PARK PLACE PROPERTIES?

A I DID NOT.

Q WHY DIDN'T YOU TELL HIM? IT'S $10,002.00, IS IT NOT?

A IT IS.

Q WHAT WAS YOUR REASON WHY YOU DIDN'T TELL HIM?

A I THINK I'VE ANSWERED IT A HUNDRED TIMES TODAY. WITHOUT A DOUBT, PARK PLACE PROPERTIES HAD BEEN PAYING A LOT OF INVOICES AND WE'VE SHOWN THOSE INVOICES, AND SHOWN THOSE CHECKS, AND SHOWN THOSE DEPOSITS ON BEHALF OF A&E.

Q BUT THAT IS NOT REFLECTED ON THE BOOKS OF A&E, IS IT?

A WHAT'S NOT REFLECTED ON THE BOOKS?

Q THAT PAYMENT.

A I'M NOT SURE, SIR.

Q LET ME ASK YOU, SIR. I BELIEVE I TOOK YOUR DEPOSITION AND YOU SAID AFTER THE END OF '07, THERE WERE NO NEW JOBS IN THE NAME OF A&E.

EVERYTHING WAS IN THE NAME OF THIS NEW COMPANY GRAND STRAND BUILDERS, IS THAT A FAIR STATEMENT?

A I DON'T RECALL THAT EITHER, BUT THAT CAN'T BE TRUE. ELLIS BUILT FOR A&E UNDER MARK BROWN.

Q NO, SIR. I'M TALKING ABOUT ...

A YOU ASK ME UNDER A&E, SIR.

Q I'M SORRY.

A I'M TELLING YOU AFTER 2007, THERE WAS A BUILDING BUILT IN NORTH MYRTLE BEACH FOR MARK BROWN. THERE WAS A WAREHOUSE BUILT FOR MARK BROWN. THERE WAS SOME FENCE WORK. THERE WERE JOBS BEING BILLED BY A&E CONSTRUCTION AFTER 2007. SO, I KNOW THAT. NOW, IF YOU'RE ASKING ME IF I PERSONALLY OBTAINED A PERMIT AFTER 2007 FOR A&E, I DON'T THINK SO.

Q BECAUSE IT WAS FINISHING UP HER HOUSE, WAS BASICALLY IT, BUT GRAND STRAND BUILDERS HAD OPENED UP -- YOUR DAUGHTER CREATED THAT CORPORATION AND YOU PUT YOUR LICENSE OVER, SO THEY WERE IN OPERATION IN JANUARY OF '08, CORRECT?

A I'M NOT SURE OF THE DATE, SIR.

Q WHATEVER IT IS, IT IS. AND AFTER THAT, HOW MANY JOBS DID GRAND STRAND BUILDERS HAVE? WHERE WAS THEIR LICENSE USED?

A WE BUILT THREE OR FOUR.
Q HOW BIG ARE THEY?
A I THINK WE HAVE BUILT THREE OR FOUR HOUSES.
Q SOME OF THEM WERE SEVERAL MILLION DOLLARS, WERE THEY NOT?
A NO.
Q THEY WEREN'T? WHERE WERE THEY LOCATED?
A WE HAVE GOT ONE ON PORCHER AVENUE AND THERE'S TWO UP ON 74TH, AND THERE'S ONE ON 81ST.
Q WHO WAS -- WHOSE NAME WAS THE PERMIT TAKEN OUT IN?
A GRAND STRAND BUILDERS.
Q AND THAT WOULD BE YOUR DAUGHTER AND HER HUSBAND WHO OWN THAT COMPANY?
A THAT'S CORRECT.
Q YOU'RE THE GENERAL CONTRACTOR?
A THAT'S CORRECT.
Q YOUR LICENSE IS PLACED WITH GRAND STRAND BUILDERS?
A THAT'S CORRECT.
Q AND SHE WORKED FOR GRAND STRAND BUILDERS?
A THAT'S CORRECT.
Q AND YOU WORKED FOR GRAND STRAND BUILDERS?
A THAT'S CORRECT.
Q I LOOKED IN YOUR CHECKING ACCOUNT RECORDS AND I

DIDN'T SEE ANY SALARIES GOING OUT TO YOU AND YOUR DAUGHTER OUT OF GRAND STRAND BUILDERS.

A I DON'T THINK I EVER DREW A SALARY.

Q AND SHE DIDN'T DRAW A SALARY OUT OF GRAND STRAND BUILDERS, DID SHE?

A I'M NOT SURE, SIR.

Q WEREN'T THE CONSTRUCTION DISBURSEMENTS FOR THOSE JOBS PLACED IN PARK PLACE PROPERTIES?

A I THINK THEY WERE, YES, SIR.

Q WELL, PARK PLACE PROPERTIES DIDN'T OWN THAT PROPERTY, DID THEY?

A WELL, PARK PLACE PROPERTIES OWED ONE OF THEM.

Q WELL, I LOOKED IN THE PARK PLACE PROPERTIES CHECKING ACCOUNTS AND THERE APPEAR TO BE MULTIPLE DEPOSITS MADE FOR THESE JOBS IN THE PARK PLACE PROPERTIES ACCOUNT?

A THAT'S CORRECT.

Q AND YOU WERE PAYING JOB EXPENSES OUT OF THE PARK PLACE PROPERTIES ACCOUNT, WERE YOU NOT?

A I WAS.

Q AND THESE WERE OWNED BY AN ENTITY THAT YOU OWNED WITH SOME OTHER PEOPLE, CORRECT? THE OWNERS OF RECORD WERE COMPANIES THAT YOU OWNED A PART OF?

A ON TWO OF THEM THERE WERE.

Q CORRECT.

A BUT ONE OF THEM THERE WASN'T.
Q SO YOU DISBURSED THE COST OF CONSTRUCTION AND THE PAYMENT INTO PARK PLACE PROPERTIES ACCOUNT?
A THAT'S TRUE.
Q BUT THAT WAS NOT THE GENERAL CONTRACTOR, CORRECT?
A THAT'S CORRECT.
Q WAS NOT THE OWNER?
A (NO RESPONSE.)
Q AND IT WAS NOT THE BUILDER?
A ON TWO OF THEM, THAT'S RIGHT.
Q WHY DID YOU DO THAT, SIR?
A I DON'T KNOW.
Q AND DURING THIS ENTIRE TIME, MR. VEREEN, YOU WERE WRITING WEEKLY CHECKS AND PUTTING THEM INTO THE A&E ACCOUNT AND THE A&E ACCOUNT WAS WRITING SALARY CHECKS TO YOUR DAUGHTER, AND YOU, AND MS. DREWETT TO DO THE BOOKKEEPING, FOR TWO YEARS?
A ABSOLUTELY.
Q SO, THE MONEY FOR THE PAYMENT CAME FROM THE CONSTRUCTION MONEY THAT WAS IN THE ACCOUNT?
A IT CAME FROM THE MONEY WE WERE MAKING OFF OF BUILDING THOSE HOUSES. SOMEBODY HAD TO PAY -- WE STILL HAD JOBS IN PROGRESS TRYING TO FINISH UP, DOING PUNCH WORK, TRYING TO FINISH UP REPAIR

WORK. SOMEONE HAD TO KEEP FINISHING UP A&E AND THERE WASN'T ANY MONEY IN THE ACCOUNT. WHETHER IT CAME FROM ME PERSONALLY OR IT CAME FROM PARK PLACE PROPERTIES OR IT CAME FROM WHEREVER, ONE OF MY ENTITIES PUT THAT MONEY INTO THAT ACCOUNT TO FUNCTION AND KEEP A&E IN BUSINESS UNTIL THIS WAS RESOLVED. AND I'M DOING THAT TODAY, I'VE DONE IT THROUGH TODAY.

Q SO, PARK PLACE PROPERTIES HAS MADE A DEPOSIT EVER WEEK AFTER '08 INTO A&E ACCOUNTS AND A&E'S WRITING YOU A CHECK, HER A CHECK AND CARRIE A CHECK, BUT THE ONLY CONSTRUCTION THEY'RE DOING IS YOUR JOBS FOR OTHER ENTITIES YOU OWN AN INTEREST IN AND THAT MONEY IS GOING INTO PARK PLACE PROPERTIES?

A THAT'S NOT WHAT I SAID.

Q WHAT DID YOU SAY?

A I JUST STATED JUST A FEW MINUTES AGO, THE ONLY REASON WE DID THAT WAS BECAUSE THE NEWER PROBLEMS THAT WE'VE HAD ON OUR PROJECT THAT A&E HAD CONSTRUCTED, TRYING TO GET THOSE THINGS -- TRYING TO KEEP US, AND WE I SAY "US", I'M TALKING ABOUT ELLIS SMITH AND MYSELF OUT OF MAJOR LAWSUITS. AND I HAVE BEEN DOING THAT WORK FOR OVER TWO YEARS. THE PROJECTS THAT WE HAVE

CONSTRUCTED THAT HE WAS THE PRIMARY SUPERVISOR ON THOSE PROJECTS.

Q LET ME ASK YOU, SIR, A&E WAS PAYING YOU A WEEKLY SALARY OF $1,400.00 A MONTH AND YOU WERE GOING AND BUILDING THESE OTHER HOUSES, CORRECT? YOU WERE THE LICENSED BUILDER?

A I STILL WASN'T DOING THE WORK, SIR. THAT DOESN'T MEAN I'M OUT THERE DRIVING A NAIL EVERYDAY. I SPENT MORE ...

Q WHAT WERE YOU DOING?

A YOU REALLY DON'T WANT TO KNOW WHAT I'VE BEEN DOING THE LAST TWO YEARS. I HAVE BEEN MEETING WITH THE STATE FIRE MARSHALL. ON PROBLEMS -- ON MAJOR PROBLEMS THAT WE HAVE AT THE FOUNTAINS PROJECT. I HAVE BEEN MEETING WITH WINDOW MANUFACTURES ON PROBLEMS THAT WE'VE HAD ON INSTALLATION PROBLEMS AT THE WILLOUGHBY PLACE THAT LEAKS. I'VE BEEN FIXING CEILINGS. I'VE BEEN FIXING DRYWALL. I'VE BEEN PAINTING. I'VE BEEN FIXING ROOFS. INSTALLATION OF SHINGLES. I'VE BEEN FIXING NON-EXISTENT WATERPROOFING AT THE FOUNTAINS. I COULD GO ON AND ON. THAT'S WHAT I'VE BEEN DOING FOR THE LAST TWO YEARS. TAKING PHONE CALLS ON IRATE PROPERTY MANAGEMENT COMPANIES. I'VE GOT A MEETING WITH ONE ON

THURSDAY. I'VE HAD MEETINGS REPEATEDLY. HAS MY PARTNER RESPONDED? NO. HAS HE BEEN MADE AWARE OF IT? YES. YOU'VE BEEN MADE AWARE OF IT. HAS HE RESPONDED TO IT? NO, SIR. HE HAS NOT MADE THE FIRST ...

Q LET ME ASK YOU, WAS BETH WORKING ON THESE JOBS WITH YOU?

A ABSOLUTELY. YES, SIR.

Q THESE HOUSES SHE WAS?

A ON WHICH HOUSES ARE YOU TALKING ABOUT?

Q ON THE HOUSES YOU WERE CONSTRUCTING.

A SHE DID.

Q I DIDN'T SEE WHERE SHE GOT PAID BY GRAND STRAND BUILDERS.

A SIR, I'M TELLING YOU THE MAJORITY OF HER TIME, IF YOU LOOK AT THE CORRESPONDENCE AND THE PAPERWORK THAT WE HAVE GENERATED THE PAST TWO YEARS, IT'S TERRIBLE. AND IT'S NOT OVER YET. WE HAVE A DEADLINE TO HAVE SOMETHING FIXED BY MARCH 1ST AT THE FOUNTAINS.

Q I'M JUST TRYING TO FIGURE OUT WHO KEPT UP WITH ALL THE BILLS FOR THESE FOUR HOUSES YOU BUILT. DID CARRIE DO THAT ON THE COMPUTER?

A NO, SIR.

Q SHE WAS WORKING THERE, WASN'T SHE?

A SHE WAS.
Q SHE WAS BEING PAID BY A&E, WASN'T SHE?
A SHE WAS DOING A&E WORK, SIR. SHE WASN'T DOING WORK ON HOUSES WE WERE BUILDING.
Q SO, PARK PLACE PROPERTIES HAS HIRED SOMEBODY TO DO THAT WORK, THE BILLING AND THE -- TO KEEP UP WITH THE INVOICES AND THE PAYMENTS, THE LABOR?
A WE KEPT IT OURSELF, SIR.
Q YOU KEPT IT YOURSELF?
A THAT'S CORRECT.
Q YOU KEEP IT THERE AT THAT OFFICE, DIDN'T YOU?
A I DID.
Q YOU KEEP IT ON THE COMPUTER, DON'T YOU?
A NO, SIR.
Q I HAND YOU A CHECK FROM CRAWFORD AND COMPANY IN THE AMOUNT OF $13,000.00 PAYABLE TO YOU. IS THAT PERSONAL EQUIPMENT THAT WAS STOLEN?
A THAT'S THE CHECK FOR THE REPLACEMENT ON THE CHECK THAT WAS STOLEN -- THE BOB -- THE CATERPILLAR SKID STEER.
Q WASN'T THAT PROPERTY THAT WAS BOUGHT BY A&E?
JUDGE HOWE: I'M SORRY. A CATERPILLAR WHAT?
A IT'S LIKE A BOB-CAT. IT'S A FOUR RUBBER TIRE, FRONT-IN-LOADER, A LITTLE SMALL TRAILER.

Q THAT CHECK IS MADE PAYABLE TO WHO?
A IT WAS PAID TO ARTHUR W. VEREEN.
Q WHERE DID YOU DEPOSIT THAT CHECK?
A IT WAS PROBABLY DEPOSITED INTO PARK PLACE. I DON'T KNOW.
Q AND I SEE SOME CHECKS HERE, OCEAN FOREST PARTNERS, LLC AND 74TH AVENUE PROPERTIES, THOSE ARE COMPANIES THAT YOU OWN AN INTEREST IN THAT WERE BUILDING THESE HOUSES?
A THAT'S CORRECT.
Q I SEE SOME KIND OF DISBURSEMENTS WERE MADE FROM THESE ENTITIES TO PARK PLACE PROPERTIES, WHAT ARE THOSE?
A I DON'T KNOW EXACTLY WHAT THEY WERE JUST FROM LOOKING AT IT, SIR.
Q 74TH AVENUE AND OCEAN FOREST PARTNERS WERE ENTITIES THAT OWN THE HOUSES BEING CONSTRUCTED ON THE LAND, CORRECT?
A THAT'S CORRECT.
Q WHY WOULD THEY BE WRITING A CHECK TO PARK PLACE PROPERTIES, WHO'S NOT THE GENERAL CONTRACTOR?
A I WOULD IMAGINE IT REPAYMENT OF THE DISBURSEMENTS THAT PARK PLACE PROPERTIES HAD MADE.
Q SO, PARK PLACE PROPERTIES MADE DISBURSEMENTS OF

THESE ENTITIES AND THOSE WERE CHECKS SIGNED BY YOU?

A THAT'S CORRECT.

Q BOTH OF THEM? AND THEY WERE DEPOSITED INTO PARK PLACE PROPERTIES ACCOUNT?

A THAT'S CORRECT.

Q MR. VEREEN, HOW DO YOU KEEP UP WITH ALL THIS?

A HARD TO DO, SIR.

Q I WOULD LIKE TO HAND YOU PLAINTIFF'S EXHIBIT NUMBER "19". EXCUSE ME, PLAINTIFF'S EXHIBIT "18". IS THIS A FINANCIAL STATEMENT THAT YOU SUBMITTED TO NBSC FOR A LOAN?

A IT LOOKS SIMILAR, YES, SIR. IT LOOKS RIGHT.

FINANCIAL STATEMENT
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "18".

Q THAT'S YOUR FINANCIAL STATEMENT AS OF WHAT DAY?

A IT LOOKS LIKE JUNE OF '07.

Q IT SHOWS YOUR NET WORTH OF HOW MUCH?

A IT SAYS NET WORTH OF TEN MILLION.

Q THANK YOU, SIR. MR. VEREEN, I'M GOING TO HAND YOU PLAINTIFF'S EXHIBIT NUMBER "19", WHICH IS NOT IN EVIDENCE. IT WAS SUBPOENA FROM PARK PLACE PROPERTIES ACCOUNT AND IT SAYS, "SMITH

SAPP" AND I'LL ASK YOU, NUMBER ONE, HAVE YOU SEEN THIS DOCUMENT IDENTIFIED AS BROKERS FEES?

A NO, SIR.

PARK PLACE PROPERTY, LLC SUBPOENAED FROM SMITH SAPP MARKED FOR IDENTIFICATION AS PLAINTIFF'S EXHIBIT "19".

Q DID YOU, IN FACT, PAY $700 ...

MS. COOK: YOUR HONOR, I AM GOING TO OBJECT.

Q DID YOU PAY $764,955.35 TO A COMPANY CALLED DUNES INVESTMENTS FOR A BROKERS FEES ON THE SALE OF THE POINTE MARSH HOUSES?

MS. COOK: YOUR HONOR, I OBJECT.

JUDGE HOWE: I UNDERSTAND. I AM GOING TO SUSTAIN YOUR OBJECTION, BUT IF YOU LIKE TO PROPERTIES TESTIMONY YOU CERTAINLY MAY.

MR. DURANT: YOUR HONOR, COULD I GET HIM TO IDENTIFY IT?

JUDGE HOWE: YES.

Q HAVE YOU SEEN THIS REPORT IN YOUR ACCOUNTING RECORDS?

A I HAVE NOT. YOU ASK ME THAT QUESTION A FEW MINUTES AGO.

MR. DURANT: YOUR HONOR, THIS WAS SUBPOENAED AND DELIVERED AS PART OF THE BUSINESS RECORDS OF PARK PLACE PROPERTY.

A DID IT COME FROM ME?

Q CAN YOU MARK THAT? THESE ARE ALREADY MARKED AS PLAINTIFF'S ...

MS. COOK: SAME OBJECTION TO BOTH OF THEM.

Q I WILL HAND YOU PLAINTIFF'S NUMBER "1", WHICH IS IN EVIDENCE, WHICH IS A 2004 BOOKLET.

JUDGE HOWE: LET'S TAKE A 5 TO 10-MINUTE BREAK.

OFF THE RECORD.

Q I WOULD LIKE TO HAND YOU PLAINTIFF'S EXHIBIT NUMBER "41". I'M SORRY. "34" AND IT APPEARS TO BE A CLOSING STATEMENTS FOR SANDY JAMES CREEK LODGE 22?

JUDGE HOWE: LET'S GET HIM TO IDENTIFY THEM FOR THE RECORD.

Q MR. VEREEN, I HAND YOU PLAINTIFF'S EXHIBIT "34" FOR IDENTIFICATION PURPOSES. IT APPEARS TO BE A HUD CLOSING STATEMENT FOR SANDY JAMES CREED, FOR LOT 22. CAN YOU IDENTIFY THIS FOR THE RECORD, MR. VEREEN?

A IT APPEARS TO BE A CLOSING SETTLEMENT FOR LOT 22.

CLOSING STATEMENT, LOT 22
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "34".

Q AND WHO DID YOU SELL IT TO?

A SANDY JAMES CREED.

Q OTHERWISE KNOWN AS CY CREED?

A YES, SIR. PARK PLACE PROPERTIES IS THE SELLER.

Q HOW MUCH MONEY DID THE PURCHASER HAVE TO BRING TO CLOSING UNDER THAT CLOSING STATEMENT?

MS. COOK: YOUR HONOR, THE SAME OBJECTION.

Q HOW MUCH MONEY DID THE PURCHASER, MR. CREED, BRING TO THE CLOSING? UNDER THE CLOSING STATEMENT.

A IT LOOKS TO ME LIKE HE ONLY PUT A $10,000.00 DEPOSIT DOWN.

Q EXCUSE ME, SIR. I DON'T HAVE AN EXTRA COPY OF THESE. ON THE SECOND PAGE, DOES IT SHOW ANY PAYMENTS THAT WERE MADE TO DUNES PROPERTIES OR DUNES MORTGAGE?

MS. COOK: REVIEWING DOCUMENT.

Q SOME ALLEGE BAD ACT THAT IS NOT RELEVANT ON THE

SUBJECT MATTER. THAT IS NOT EVEN RELEVANT TO THIS ACTION AND I ALSO DON'T BELIEVE, GIVEN THE TESTIMONY THUS FAR, GIVEN THE PLEADINGS AND CAUSES OF ACTIONS THAT WE ARE HERE BEFORE THE COURT ON THAT THE CONDUCT AND CHARACTER OF MR. VEREEN OR PARK PLACE OR MORE SPECIFICALLY PARK PLACE PROPERTIES IS ...

A THAT'S AN ISSUE IN THIS CASE NOW.

MS. COOK: I HATE TO KEEP EXPANDING, I APOLOGIZE, CONTINUING OBJECTION.

JUDGE HOWE: YOU MAY HAVE A CONTINUING OBJECTION.

Q MR. CREED'S CLOSING STATEMENT IS FOR LOT 22. THAT'S THE HOUSE THAT PARK PLACE PROPERTIES BUILT?

A THAT'S CORRECT.

Q ON THE BACK IT SHOWS THAT THIS DEED WAS RECORDED OCTOBER THE 12TH, 2006?

A YES.

Q ON THE BACK IS A COPY OF YOUR CHECKING ACCOUNT RECORDS AND I ASK YOU TO LOOK AT PARK PLACE PROPERTIES. THERE IS A CHECK NUMBER 3629 AND WHO IS THAT WRITTEN TO?

A THAT WAS WRITTEN TO CY CREED.

Q IS THAT ON THE SAME DAY OF THE CLOSING,

SEPTEMBER 28TH?

A SEPTEMBER 28TH? NO, SIR.

Q WHAT DATE IS THAT?

A IT'S WRITTEN ON OCTOBER THE 10TH.

Q LOOK AT THE RECORDING DATE.

A RECORDING DATE WAS ON -- LOOKS LIKE OCTOBER 12TH.

Q CORRECT.

A CHECK WAS WRITTEN ON OCTOBER 10TH.

Q WHO WAS THAT CHECK MADE PAYABLE TO?

A CY CREED.

Q WHAT AMOUNT WAS THAT CHECK?

A 73,000.

Q THAT'S THE SAME CY CREED THAT WAS THE PURCHASER ON THE CLOSING STATEMENT?

A THAT'S CORRECT.

Q WHO IS THAT SIGNED BY?

A SIGNED BY MY DAUGHTER.

Q MRS. SISSON?

A YES, SIR. SHE HAD INSTRUCTIONS FROM ME TO WRITE THAT CHECK FOR HIM.

Q WHAT IS THE NEXT CHECK THAT IS UP HERE, AND IT SAYS ON THE BOTTOM, "POINTE MARSH, P.M."?

A IT DOES.

Q IS THERE ANOTHER CHECK IN THERE?

A THERE'S A CHECK WRITTEN FOR DUNES INVESTMENT FOR $20,000.00.

Q THAT'S IN SUBSEQUENCE TO THE OTHER CHECK?

A THAT'S CORRECT.

Q AND IT WAS CASHED ON LOOKS LIKE OCTOBER THE 2ND, IN THE AMOUNT OF $20,000.00?

A IT DOES.

Q NOW, I ASKED YOU ON THE CLOSING STATEMENT WERE ANY OF THESE EXPENSES SHOWN AS CHECKS FROM THE SELLER TO THE BUYER ON THE HUD-1 CLOSING STATEMENT?

A THEY WERE NOT.

Q WERE THERE ANY OF THE CHECKS SHOWN TO DUNES INVESTMENTS ON THE CLOSING STATEMENT OTHER THAN WHAT YOU SHOW -- THERE'S NO $20,000.00 IN THERE, IS THERE?

A NO.

Q I WILL HAND YOU PLAINTIFF'S EXHIBIT "33". IS THIS A CLOSING STATEMENT FOR RONALD STEVE NEEDHAM FOR LOT 20 AT POINTE MARSH?

A IT APPEARS TO BE.

SETTLEMENT STATEMENT, LOT 20
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "33".

Q PARK PLACE PROPERTIES ACTUALLY SOLD LOT 20, WHICH HAD A COMPLETED HOUSE ON IT TO MR. NEEDHAM, DID IT NOT?

A YES, SIR.

Q MR. CREED AND MR. NEEDHAM ACTUALLY BOUGHT MORE THAN ONE, DID THEY NOT?

MS. COOK: YOUR HONOR.

JUDGE HOWE: YOU HAVE A CONTINUING OBJECTION, ON THIS LINE OF QUESTIONING.

A I DON'T KNOW ABOUT MR. NEEDHAM, BUT MR. CREED BOUGHT TWO HOUSES.

Q OKAY. WHAT IS THE AMOUNT OF MONEY THAT THE PURCHASER HAD TO COME UP WITH ON PAGE ONE OF THE HUD?

A IT WAS $8,000.00.

Q $8,000.00 EARNEST MONEY. THIS TRANSACTION IS DATED DECEMBER THE 11TH? THAT'S THE DATE OF THE SETTLEMENT STATEMENT, CORRECT?

A YES.

Q AND I ASK YOU, SIR, TO LOOK AT CHECK NUMBERS 3987, 3988, 3989 DATED -- IT APPEARS TO BE 12/18/06, AND TELL THE COURT WHO THOSE CHECKS WERE WRITTEN TO?

A ONE WAS WRITTEN TO STEPHEN NEEDHAM.

Q IS THAT THE PURCHASER?

A THAT'S THE PURCHASER, YES.
Q HOW MUCH IS THAT FOR?
A $90,000.00.
Q $90,000.00?
A YES.
Q AND ONE WRITTEN TO DUNES INVESTMENTS FOR 78,136 AND ONE FOR DUNES INVESTMENTS FOR $6,830.00. DOES IT SAY ON THE CHECKS THE LOT NUMBER FOR THE UNIT?
A PARDON ME.
Q DOES IT SAY LOT 20 ON THERE?
A IT DOES SAY LOT 20.
Q AND THAT'S THE SAME ONE ON THE CLOSING STATEMENT AS BEING LOT 20?
A THAT'S CORRECT.
Q TELL ME WHAT WERE THESE CHECKS FOR?
A I CAN TELL YOU ON LOT 20, THE REAL ESTATE COMMISSION WAS NOT TAKEN OUT. IT WAS NOT APPLIED. I OWED THE REALTOR MONEY. THE CHECK THAT WAS WRITTEN TO -- AND YOU WOULD BE GLAD -- YOU CAN GO AND LOOK AT MY FILE ON THAT ENTIRE PROJECT, YOU'LL FIND LETTERS OF CORRESPONDENCES BACK AND FORTH TO THE OWNERS OF DUNES INVESTMENT. DUNES INVESTMENT BOUGHT ME A LIST OF BUYERS AND I BELIEVE IT WAS FIFTEEN BUYERS.

I'M NOT SURE, MAYBE FOURTEEN OR FIFTEEN. I DON'T KNOW. AND I HAD BUDGETED IN THAT PROJECT AND YOU CAN LOOK AT THE PRO FORMAS -- MY COMPUTER, IT'S GOT A PRO FORMA IN THERE FOR MARKETING AND ADVERTISING. WHEN DUNES INVESTMENTS SAID HE HAD GROUPS OF INVESTORS THAT WERE INTERESTED IN BUYING THE HOMES, HE BROUGHT THE BUYERS AND I AGREED TO PAY HIM A PERCENTAGE OF THAT MARKETING/ADVERTISING, WHICH I WOULD HAVE PAID OUTSIDE OF CLOSING. AND I AGREED TO PAY HIM THE CONSTRUCTION COSTS, AND THE CONSTRUCTION PROJECT WAS BEHIND SCHEDULE. ONE OF OUR SELLING POINTS WAS -- THIS WAS ON THE MARSH AND ONE OF OUR SELLING POINTS WAS THIS WAS A VERY MARKETABLE PROJECT AND IT SHOULD RENT IN THE SUMMERTIME. AND WE AGREED TO PAY THEM -- I AGREED TO PAY THEM SOME RENTAL THEY WERE LOSING BECAUSE I COULDN'T GET THE BUILDINGS FINISHED IN TIME. I HAD NO CONTACT WITH ANY MORTGAGE PEOPLE. I DIDN'T PROVIDE ANYTHING TO ANY MORTGAGE COMPANY THAT WOULD SECURE THEM A LOAN. I DIDN'T TOUCH ANY FINANCIAL DOCUMENTS, NONE OF THAT STUFF. I HAD CONTACTS WITH NO ONE. THE ONLY PERSON I SIGNED ONE TIME, WAS ONE EXTENSION ONE TIME.

Q MR. NEEDHAM HAD TO BRING $42,000.00 TO CLOSING, BUT YOU WROTE HIM A CHECK FOR $90,000.00. WHAT WAS THE CHECK TO MR. NEEDHAM FOR?

A I JUST EXPLAINED THAT. I AGREED -- I JUST STATED THAT A FEW MINUTES AGO. I HAD AGREED TO A NUMBER OF THOSE BUYERS THAT ONE OF THE POSITIVES IN THIS PROJECT WAS IT WAS A SIX BEDROOM HOUSE. IT WAS A VERY MARKETABLE RENTAL PIECE OF PROPERTY IN THE SUMMERTIME. SO, THAT WAS ONE OF OUR PRESENTATIONS TO THESE BUYERS. THAT MADE IT INTERESTING ENOUGH FOR THEM TO WANT TO BUY THIS HOUSE BECAUSE THEY COULD GET RENTAL FROM IT FOR FIFTEEN OR SIXTEEN WEEKS BECAUSE OF THE LOCATION OF WHERE IT'S AT. THESE PROJECTS WERE GOING TO BRING $4,000.00 AND $5,000.00 WE FELT LIKE, IN A WEEK OF RENTAL. AND SO, I HAD AGREED, BECAUSE WE COULDN'T GET THOSE HOUSES FILLED IN TIME, I WAS GOING TO LOSE BUYERS. THEY WERE GOING TO WALK OFF BECAUSE I SAID, "WELL, I WOULD RATHER RENT THE HOUSES BACK AND LEASE THEM MYSELF." I TOOK THE OPINION WHEN I CLOSED THEM, I DIDN'T WANT TO DO THAT. I DIDN'T WANT TO BE IN THE RENTAL BUSINESS. I DIDN'T WANT TO GO RENT THESE THINGS ON REGULAR BASIS. I DIDN'T WANT TO GO HAVE TO CLEAN THEM UP. I

DIDN'T WANT TO HAVE TO REPAINT THEM. I DIDN'T WANT TO DO THAT. I WOULD AS SOON PAY Y'ALL AND LET Y'ALL HANDLE IT. THAT'S WHAT I DID. I NEVER PROVIDED ANY OF THAT INFORMATION TO ANY MORTGAGE COMPANY. I NEVER HAD CONTACT WITH ANY MORTGAGE COMPANY. I DIDN'T PROVIDE ANY FINANCIAL INFORMATION TO ANYONE. I SOLD THEM A PIECE OF PROPERTY AND THAT'S WHAT I DID.

Q ARE YOU FINISHED?

A YES.

Q WHAT I'M TRYING TO ASK YOU IS, WHY WOULD YOU WRITE THEM A CHECK FOR $90,000.00?

A I JUST GOT THROUGH TELLING YOU. IT WAS BASED ON THE RENTAL AND ON SOME OF THE HOUSES. IF YOU'LL GO BACK AND LOOK AT SOME OF THOSE DOCUMENTS IN MY OFFICE, YOU'LL SEE ON SOME OF THEM I HAVE ACTUALLY PAID FOR THE FURNITURE OUTSIDE OF CLOSING. I ACTUALLY PAID $27,00.00 FOR FURNITURE FOR THE HOUSES, AND I DID THE SAME THING FOR THAT HOUSE RIGHT THERE, I'M SURE, AND MY DOCUMENTS IN MY OFFICE WILL BREAK IT DOWN FOR YOU. IT'S IN A FILE IN A CABINET.

Q BETWEEN DUNES INVESTMENTS AND MR. NEEDHAM, YOU PAID $175,000.00 ON A HOUSE THAT COST 683?

A MR. DURANT, I JUST GOT THROUGH TELLING YOU I HAD

A BUDGET. EVERYBODY THINKS I MAKE -- YOU MADE A STATEMENT THAT I MADE EIGHT MILLION ON THOSE HOUSES. THAT RIDICULOUS. THAT DOESN'T SHOW THE COSTS. THERE IS NO CONSTRUCTION INVOLVED IN THAT. THAT IS A NET SALE AFTER COMMISSIONS ARE PAID OUT. YOU MADE ME LOSE MY TRAIN OF THOUGHT. MY TRAIN OF THOUGHT JUST WENT OUT THE WINDOW. IT WILL COME BACK TO ME IN A MINUTE. I KNOW WHAT I WAS GOING TO SAY, MR. DURANT. I JUST MADE THAT COMMENT JUST A MINUTE AGO. I HAD BUDGETED THIS -- AND I'M DOING THIS BY MEMORY SO, I BELIEVE I HAD BUDGETED SOME THREE AND A HALF TO FOUR PERCENT FOR MARKETING AND ADVERTISEMENT FOR THAT ENTIRE PROJECT. I'VE GOT A REAL ESTATE AGENT AND A GROUP OF INVESTORS THAT ARE GOING TO TAKE OUT A BLOCK OF HOUSES. HERE I AM GOING -- NOT HAVE TO PAY THREE AND A HALF TO FOUR PERCENT IN MARKETING/ADVERTISING FEES AND THAT'S WHAT I ADJUSTED THOSE COSTS FOR. THAT'S WHAT I DID.

Q BUT YOU DIDN'T DISCLOSE THEM ON THE CLOSING STATEMENT?

A I WOULDN'T HAVE PAID MARKETING AND, ADVERTISEMENT WOULDN'T HAVE BEEN IN THE CLOSING STATEMENT ANYWAY.

Q WHAT ABOUT THE MONEY YOU GAVE TO THE PURCHASER BACK, 90,000?

A WHY WOULD THAT SHOW IF IT HAD NO BEARING ON WHETHER HE QUALIFIED TO BUY THAT HOUSE AND HAD NO BEARING WHETHER HE GOT A LOAN. I DID THAT BECAUSE WHEN I SIGNED THE CONTRACT FOR THAT GENTLEMEN TO BUY THAT HOUSE, I DID NOT AGREE AT THAT TIME TO RENT HIS -- OR PAY HIM FOR THE LOST RENT OR THE SUM OF RENTAL HE WAS GOING TO GET OFF THAT HOUSE. I DID THAT BECAUSE THE HOUSE WAS BEHIND SCHEDULE AND I WASN'T GOING TO BE FINISHING ON TIME. HE WASN'T GOING TO GET HIS REVENUE THAT WE HAD TOLD HIM HE SHOULD BE ABLE TO GET OUT OF THAT HOUSE. SO, AM I GOING TO LOSE A BUYER? AND I ACCEPTED TO MAKE LESS MONEY AND I THOUGHT THAT WAS A POSITIVE REACTION ON MY PART.

Q THIS IS A DECEMBER CLOSING THOUGHT?

A YES, SIR. GO BACK AND LOOK. SOME OF THOSE HOUSES -- YOU GO BACK AND REVIEW THE CONTRACT FOR THOSE HOUSES WHEN THOSE CONTRACTS WERE SIGNED. I SHOULD HAVE BEEN THROUGH WITH THOSE HOUSES SO HE WOULD HAVE BEEN GETTING INCOME. I JUST WASN'T ABLE TO GET THEM FINISHED IN TIME.

Q SO, YOU FEEL LIKE YOU DIDN'T HAVE TO REPORT THE

PAYMENTS?

A I FEEL LIKE THIS, AND I MAY BE ONE HUNDRED PERCENT WRONG. IF I HAD BEEN -- IF HIM QUALIFYING TO THE LENDER WAS BASED ON HIM GETTING RENTAL INCOME AND THEN, I THINK, I SHOULD HAVE DISCLOSED -- IF I WAS GOING TO PAY THAT RENTAL INCOME, HE SHOULD HAVE PROBABLY DISCLOSED THAT, BUT I WASN'T DOING THAT. IT WAS EITHER LOSE A BUYER AND HAVE TO START OVER AGAIN, MAKE THE BUYER MAKE LESS MONEY. AND I MADE A DECISION, THAT'S WHAT I WANTED TO DO. I TOOK THE OVER ALL MONEY, WHICH I JUST STATED A FEW MINUTES AGO, MARKETING AND ADVERTISING AND IT WAS -- YOUR HONOR, I APOLOGIZE. I THINK IT WAS $400,000.00 OVER THE LIFE OF THAT PROJECT. AND I HAD AN OPPORTUNITY TO SELL THAT PROJECT OUT TO A BLOCK OR A GROUP AND GET IT DONE IN A LESS PERIOD OF TIME THAN WHAT I PROJECTED TO GET IT DONE. SO, I SAID, "IS MY INTEREST GOING TO COST ME MORE MONEY? IS MY MARKETING AND ADVERTISING GOING TO COST ME $400,000.00?" I WAS GOING TO HAVE TO SPREAD THAT OVER 20 HOUSES. THAT WAS LIKE 20,000 SOME ODD THOUSAND DOLLARS A HOUSE THAT I HAD BUDGETED IN THERE AND SO I TOOK IT OUT. AND I MADE AN AGREEMENTS WITH DUNES

INVESTMENTS THAT I WOULD PAY THEM.

Q HOW MANY OTHER CLOSING DID YOU HAVE THAT YOU DID SIMILAR THINGS, MAKE CHECKS BACK TO THE BUYERS?

A I THINK IT'S EIGHT OR NINE. I DON'T KNOW TO BE HONEST WITH YOU.

Q THAT WAS ALL WITH THIS DUNES INVESTMENTS?

A MR. DURANT, I THINK SO, BUT I'M NOT POSITIVE.

Q NONE OF THE PAYMENTS MADE BACK TO THESE BUYERS WERE SHOWN ON THOSE CLOSING STATEMENTS EITHER, WERE THEY?

A NO. THERE ARE SEVERAL OF THEM -- THERE'S PROBABLY FOUR OR FIVE OF THEM, FOR SOME REASON. I DON'T KNOW WHO CLOSED THOSE, BUT FOUR OR FIVE OF THOSE THE REAL ESTATE COMMISSIONS WERE NOT LISTED OF THE SALES. I PAID THE COMMISSION.

Q I AM GOING TO ASK YOU QUESTIONS ON PLAINTIFF'S EXHIBIT NUMBER "1", WHICH DISPLAYED THESE 2004 REPORTS, MR. VEREEN. HAVE YOU SEEN THIS REPORT BEFORE OR HAVE YOU NOT?

A I DON'T THINK I'VE SEEN THIS IN THIS FORM BEFORE.

Q LET ME ASK YOU IN 2004, IF YOU LOOK AT TAB NUMBER ONE, DID YOU RECEIVE CHECKS FROM A&E PAYABLE TO YOU IN THE TOTAL AMOUNT OF $3,760.68 IN THE CALENDAR YEAR 2004 AS SHOWN ON TAB NUMBER

ONE?

A PROBABLY SO. I'M NOT SURE.

Q WELL, THEY ARE IDENTIFIED AS SUPERVISOR FEES, SUBCONTRACTOR FEES. DO YOU DEPUTE THAT OR NOT?

A I DO NOT.

Q TELL ME, SIR, WHEN YOU WROTE YOURSELF THESE ...

A I'M SORRY. YOU SAID IT WAS SUPERVISOR FEES AND WHAT ELSE?

Q WELL, THIS IS WHAT IT'S WRITTEN AS, BUT YOU SEE YOU WROTE YOURSELF CHECKS FOR $103,000.00 OVER AND ABOVE YOUR SALARY, DID YOU NOT, SIR, IN 2004?

A I DID. I WROTE REIMBURSEMENTS BACK FOR EXPENSES THAT I HAD PAID OUT, ABSOLUTELY.

Q NO. THESE ARE NOT REIMBURSEMENTS. THESE ARE SUPERVISOR FEES. THAT'S WHAT'S ON MOST OF THEM, 103,000.00.

A ACTUALLY, IT MAY BE LISTED AS THAT, BUT THOSE ARE REIMBURSEMENTS FOR EXPENSES THAT I HAVE PAID.

Q WELL, HAVE YOU LOOKED AT THE CHECKS?

A (NO RESPONSE.)

Q DO YOU HAVE THESE CHECKS?

A I'M THUMBING THROUGH IT RIGHT NOW. IT APPEARS THAT SOME OF THEM DO SAY THAT. YES, SIR.

Q YES, SIR.
A SOME OF THEM DO.
Q WELL, THE $75,000.00 CHECK IS NOT INCLUDED IN THE TAB, BUT LET ME ASK YOU, SIR, YOU WERE GETTING A WEEKLY CHECK, WERE YOU NOT?
A PARDON ME.
Q YOU WERE DRAWING A WEEKLY SALARY BEGINNING IN WHAT MONTH?
A FROM A&E?
Q YES, SIR.
A EITHER MAY OR JUNE OF 2004.
Q YOU GOT ONE EVERY WEEK. THESE ARE PAYMENTS THAT YOU RECEIVED IN ADDITION TO YOUR SALARY? THESE CHECKS?
A THOSE ARE PAYMENTS FOR REIMBURSEMENTS. YES, SIR.
Q IT SAYS, "SUPERVISOR FEES".
A I UNDERSTAND THAT, SIR, BUT IT DOESN'T SAY THAT ON ALL OF THEM, SIR.
Q LET ME ASK YOU, SIR, DID YOU REPORT THIS ON YOUR 2004 INCOME TAX RETURNS, YOUR PERSONAL INCOME TAX RETURN?
A I WOULD HAVE TO LOOK.
Q DID YOU RECEIVE A W-2 OR A 1099 FROM THE COMPANY FOR THESE PAYMENTS?

A I'M NOT SURE.
Q YOU HAVEN'T LOOKED AT THAT SINCE WE'VE BEEN INVOLVED IN THIS ACTION?
A I DON'T THINK I'VE GOT A 1099 FOR IT, SIR.
Q YOU HANDLED THE INCOME TAX PREPARATION, DID YOU NOT?
A IN 2004?
Q YES, SIR. WELL, WHENEVER THE TAX RETURN WAS DONE. MR. CRUMPLER DID IT, DID HE NOT?
A HE DID.
Q YOU DIDN'T GET A W-2 OR 1099 FOR THIS MONEY, DID YOU, SIR?
A I DON'T THINK SMITH SAPP HAS EVER PROVIDED US A 1099. WE HAVE ALWAYS DONE IT IN-HOUSE.
Q DID YOU TELL MR. SMITH THAT YOU WROTE YOURSELF CHECKS TOTALLING $103,000.00 OVER AND ABOVE YOUR SALARY?
A FOR EACH ONE OF THESE CHECKS?
Q YES.
A I DON'T THINK I EVER REALLY IDENTIFIED EVERY ONE OF THEM, NO, SIR. HE KNEW I WAS GETTING REIMBURSED FOR MY EXPENSES, JUST LIKE I REIMBURSED HIM. I REIMBURSED ELLIS SMITH AND EES.
Q WHAT IS A SUPERVISOR FEE THEN?

A I'M NOT SURE WHY CARRIE CODED THIS. THIS IS A COMPUTER-GENERATED CHECK. I JUST TURNED BACK THE EXPENSES THAT I HAD PAID FOR WHAT PICK UP LABOR STUFF I HAD BOUGHT AT THE HARDWARE STORES. THE THINGS THAT I HAD PAID CASH FOR AND THAT'S WHAT I WAS BEING REIMBURSED FOR.

Q FOR STUFF YOU PAID CASH -- THAT YOU, WAYNE VEREEN, PAID CASH FOR?

A YES. I THINK WE HAVE GIVEN YOU AN ENTIRE LIST OF DEBTS ON MY DEBIT CARD, AND FOR SOME REASON, WE CAN'T FIND WHAT THOSE DEBTS ARE FOR NOW, BUT I HAD THOSE AT THE TIME AND I HAVE BEEN REIMBURSED FOR SOME OF THEM.

Q WHAT DOCUMENTATION DID YOU GIVE YOUR ACCOUNT FOR THESE CHARGES? FOR THIS $103,000.00?

A DOCUMENTATION THAT I GAVE HIM WAS OUR JOB RECORDS. I AM SURE IF RICHARD PICKED IT UP, WHICH HE DID THE ACCOUNTING OF IT, THAT IT WAS EITHER -- IF YOU WERE ASKING ME WHETHER I GOT $103,000.00 PROFIT, THAT'S WHAT YOU'RE IMPLYING, AND THAT'S NOT THE CASE. I'M SURE WE HAD DOCUMENTATION TO SHOW THOSE EXPENSES AT THAT TIME.

Q TAB NUMBER TWO IS PRUDENTIAL INSURANCE AT $435.00 A MONTH. THAT WENT ALL THE WAY THROUGH

UNTIL YOU SHUT DOWN, DIDN'T IT? 435, YOU AGREE THAT'S A PERSONAL EXPENSE, DON'T YOU?

A WE DID, BUT I DIDN'T HAVE PRUDENTIAL FOR THE ENTIRE TIME.

Q YEAH, BUT -- SO, THAT WAS AN IMPROPER EXPENSE?

A I'M NOT DENYING THAT THAT'S AN EXPENSE OF MINE AND IT'S SHOWN ON THERE.

Q NUMBER THREE IS GREEN TURTLE. WHAT IS GREEN TURTLE?

A IT'S A PIECE OF PROPERTY THAT MY WIFE OWNS.

Q ISN'T IT OWNED WITH SOME OTHER PEOPLE ALSO?

A THAT'S CORRECT.

Q AND THAT'S IN THE BAHAMAS?

A THAT'S CORRECT.

Q AND YOU CHARGED TO A&E $3,608.12 FOR SUPPLIES SENT DOWN TO THE BAHAMAS?

A YES, SIR.

Q YOU DIDN'T TELL MR. SMITH ABOUT THAT, DID YOU?

A I'M NOT SURE, SIR.

Q YOU AGREE THAT, THAT IS A PERSONAL EXPENSE ALSO?

A I DO.

Q THE NEXT ONE IS NUMBER FOUR, JOHN HANCOCK, ANOTHER LIFE INSURANCE POLICY THAT'S 514 A MONTH. DO YOU AGREE THAT'S A PERSONAL EXPENSE?

A I DO.

Q DID YOU TELL MR. SMITH THAT YOU WERE WRITING THAT CHECK EVERY MONTH?

A HE KNEW WHEN WE STARTED THE JOB. I HAD TOLD HIM THAT I HAVE CERTAIN EXPENSES THAT I PAY -- I PAY FOR MY LAUNDRY. I PAY FOR MY LIFE INSURANCE, SEVERAL LIFE INSURANCE POLICIES AND I WAS GOING TO KEEP IT JUST LIKE I'VE BEEN DOING. I'M NOT DENYING THAT THIS IS NOT MY EXPENSES AND I HAVE ALWAYS -- WHEN RICHARD WOULD ALWAYS DO MY BOOKS, HE WOULD ALWAYS PICK UP MY LIFE INSURANCE AS INCOME TO ME AND SOMETHING ON MY LIFE INSURANCE.

Q YOU PAID THESE THINGS OUT OF ARTHUR VEREEN CONSTRUCTION BEFORE?

A I DID.

Q CORRECT. BUT YOU DIDN'T HAVE ANOTHER SHAREHOLDER IN ARTHUR VEREEN? YOU WERE THE ONLY PERSON THERE, CORRECT?

A THAT'S CORRECT.

Q SO, YOU DIDN'T REALLY ASK MR. SMITH IF YOU COULD KEEP PAYING YOUR PERSONAL EXPENSES OUT OF THE ACCOUNT, DID YOU?

A I TOLD HIM I WAS GOING TO KEEP PAYING THEM OUT OF MY ACCOUNT.

Q WHEN DID YOU TELL HIM?

A BEFORE WE STARTED A&E BACK IN 2003.

Q WHEN IN '03?
A SIR, WE FORMED A&E IN, I THINK, OCTOBER. THIS WAS PROBABLY BACK IN AUGUST OR SEPTEMBER.
Q WELL, TELL ME WHAT ABOUT ACORN CABINETS, WHAT IS THAT?
A THAT'S A RENTAL BUILDING --STORAGE BUILDING.
Q THAT'S SOMETHING THAT ARTHUR VEREEN HAD LEASED FOR MANY, MANY YEARS, CORRECT?
A NO, SIR, NOT MANY YEARS.
Q HOW MANY?
A PROBABLY SINCE '02.
Q YOU'VE GOT A CAR STORED THERE THAT YOU OWN, DON'T YOU?
A I DO NOT.
Q WHAT'S IN THERE?
A THERE'S NOTHING. I DON'T HAVE IT ANY LONGER.
Q IN 2004, WHAT WAS IN THERE?
A THERE WAS MODEL-T'S STORED IN THERE. THERE WAS A TREMENDOUS AMOUNT OF CONSTRUCTION AND EQUIPMENT STUFF STORED IN THERE AS WELL.
Q BUT YOU HAD FIVE STORAGE BUILDINGS AT THE OFFICE, CORRECT?
A MR. DURANT, I'LL BE GLAD TO GIVE YOU A KEY TO THEM TODAY AND LET YOU GO TAKE A LOOK AT THEM. WE HAVEN'T BEEN DOING BUSINESS -- LOOK AT THE

STUFF IN THOSE BUILDINGS. IT BELONGS TO A&E. STILL BELONGS TO A&E.

Q GO AND ...

A LET ME FINISH. THERE ARE ALSO SEVERAL BUILDINGS THAT ELLIS SMITH STORED EES STUFF, MATERIALS IN. HE ACTUALLY WENT TO AN AUCTION AND BOUGHT A WELDER AND BOUGHT DIFFERENT TOOLS AND STUFF AND STORED THEM IN MY BUILDING BECAUSE HE HAD NO PLACE TO PUT THEM. SO, WHEN I SAY, "MY BUILDINGS" WHICH A&E WAS RENTING, AND HE IS STILL, SORT OF, IN THOSE BUILDINGS AND IN FACT, TODAY I BELIEVE ONE OF THOSE WELDERS AND A FEW OTHER TOOLS ARE STILL SITTING IN THOSE BUILDINGS.

Q THE SHELL ACCOUNT, WHICH IS A CREDIT CARD I BELIEVE. YOU AGREED THAT ALL THOSE CHARGES WERE CHARGES FOR YOUR DAUGHTER?

A THAT'S CORRECT.

Q AND THOSE WERE IN 2004, '05, '06 AND '07?

A THAT'S CORRECT.

Q WHY WERE YOU PAYING YOUR DAUGHTER'S CREDIT CARD CHARGES OUT OF A&E?

A THAT WAS ALWAYS A SHELL CREDIT CARD THAT I HAD GIVEN HER. AND CARRIE ALWAYS WROTE THAT CHECK, LIKE I TOLD YOU BEFORE, I HAD DONE THAT PRIOR TO

THAT AND I JUST CONTINUED.

Q BUT YOU SIGNED IT?

A I DID. I SIGNED THE CHECK.

Q THE NEXT TAB IS SEVEN, 29TH PLACE AT CARRIAGE ROAD, 6/28/04 YOU HAVE WRITTEN YOUR HOMEOWNERS ASSOCIATION DUES OUT OF A&E, HAVE YOU NOT? WELL, IT WILL SHOW IN THE RECORDS.

A YES.

Q THOSE ARE PERSONAL EXPENSES ALSO?

A THEY ARE.

Q DID YOU TELL MR. SMITH THAT YOU WERE PAYING THOSE?

A I'M NOT SURE, SIR.

Q THE SURFSIDE CLEANERS, I BELIEVE THERE IS AROUND $12,000.00 WORTH OF CHARGES TO SURFSIDE CLEANERS THAT YOU PAID OUT OF THE A&E ACCOUNT. YOU ADMIT THAT, THAT WAS PERSONAL ALSO?

A I ADMITTED IT IN MY DEPOSITION THAT IT WAS MY EXPENSES, NOT JUST TODAY.

Q YOU DIDN'T STATE IN THE DOCUMENTS FILED WITH THE COURT THAT, THAT WAS FOR UNIFORMS.

A I DID NOT. I HAVE NEVER WORN A UNIFORM IN MY LIFE. WELL, LET ME BACK UP. WHEN I WAS IN THE MILITARY I DID.

Q WHOSE DRY CLEANING IS THAT, YOUR WIFE'S?

A NO. THAT'S MOSTLY MINE.
Q YOURS. NUMBER TEN HAS GOT THOSE CHECKS THAT WE ALREADY TALKED ABOUT. THE WILLOUGHBY, FOR $113,480.00?
A YES.
Q THOSE WERE CHECKS THAT YOU TOOK OUT OF THE COMPANY THAT WERE WRITTEN FOR A&E JOBS AND PUT INTO YOUR PERSONAL ACCOUNT OR ARTHUR VEREEN CONSTRUCTION?
A PUT BACK INTO A&E.
Q WE HAVE ALREADY DISCUSSED THOSE, HAVEN'T WE?
A YES, SIR. WE HAVE.
Q AND WE HAVE ALSO DISCUSSED THE NEXT ONE, WHICH ARE THE CHECKS MADE FROM SS CARDIOLOGY?
A THAT'S CORRECT.
Q NUMBER 12 IS THE TAHITIAN PRINCESS THAT WAS A JOB FOR A&E WHERE YOU GOT A CHECK, INITIALLY, BEFORE THE ACCOUNT WAS OPENED IN THE AMOUNT $15,000.00?
A I'M JUST TURNING IT OVER WHERE I CAN SEE IT. IT'S UPSIDE DOWN. YES, SIR. THAT'S CORRECT.
Q AND THAT WAS PUT INTO ARTHUR VEREEN CONSTRUCTION FOR WHATEVER REASON?
A WHERE ELSE AM I GOING TO PUT IT?
Q I AGREE. THAT WAS AN A&E JOB ITSELF?

A IT WAS. YOU ALSO GO BACK AND LOOK AT OUR DOCUMENTATION, ARTHUR VEREEN CONSTRUCTION COMPANY, ARTHUR W. VEREEN, AND PARK PLACE PROPERTY PAID THE BILLS AND INVOICES ON TAHITIAN PRINCESS FROM DESIGNERS, LAND WATCH ENGINEERING PRIOR TO TAHITIAN PRINCESS STARTING.

Q NOW, NUMBER "13". IT APPEARS THAT THERE WERE 12 CHECKS THAT A&E WROTE TO ARTHUR VEREEN CONSTRUCTION TOTALING $113,724.00?

A YES, SIR.

Q YOU WROTE ALL THOSE CHECKS, DIDN'T YOU, SIR?

A I DID.

Q AND DID YOU TELL MR. SMITH THAT YOU HAD WRITTEN CHECKS TOTALING $113,000.00 TO ARTHUR VEREEN CONSTRUCTION?

A WELL, I WOULDN'T HAVE TOLD HIM UNTIL AFTER JUNE OF 2004.

Q DID YOU TELL HIM OR DID YOU NOT?

A I DID NOT.

Q DO YOU THINK YOU SHOULD HAVE TOLD HIM?

A WELL, SIR, IT WOULD'VE BEEN KIND OF HARD FOR ME TO DO 'CAUSE HE WASN'T AROUND VERY MUCH UNTIL ACTUALLY MAY OF '05, BUT IN JUNE OF 2004 IS WHAT Y'ALL ARE SAYING IS WHEN WE ACTUALLY STARTED DOING WORK FOR A&E AND A&E ACTUALLY BECAME

FUNCTIONAL.

Q NUMBER 14 IS CHECKS YOU MADE PAYABLE TO CAROLINA FIRST, ARGUABLY, FOR PAYMENT OF TAXES, AND YOU AGREE THOSE ARE PERSONAL EXPENSES?

A ABSOLUTELY.

Q TELL ME, SIR, WHY WOULD YOU WRITE A CHECK TO CAROLINA FIRST BANK TO PAY TAXES?

A WHERE IS THE COPY OF THAT CHECK?

Q IT'S NOT IN THERE.

A I WOULD LIKE TO SEE THAT CHECK.

Q I BELIEVE YOU SAID IN YOUR DEPOSITION THAT YOU GOT A CASHIERS CHECK TO PAY THEM.

A I DON'T REMEMBER THAT ONE.

Q AND I ASKED YOU WHY?

A I HONESTLY DON'T REMEMBER THAT.

Q THAT'S A PERSONAL EXPENSE ALSO?

A I THINK THE SECOND CHECK, THAT 3893, I BELIEVE IS ON THE OFFICE THAT WE WERE OCCUPYING.

Q THE OFFICE?

A YES, SIR. WE FIRST STARTED OCCUPYING BUILDING 511, AND THEN WE WERE OCCUPYING BUILDING 545.

Q WHY WOULD A&E BE PAYING YOUR PROPERTY TAX BILL ON THE OFFICE?

A BECAUSE THEY WERE SUPPOSED TO PAY MY PROPERTY TAXES, INSURANCE, AND RENT ON THAT BUILDING, ON

BOTH BUILDINGS. WE HAD A 3,600 SQUARE FOOT OFFICE BUILDING AND THEN WE HAD A 3,000 SQUARE FOOT WAREHOUSE AND THE AGREEMENT WAS THAT THEY WOULD PAY RENT, THE INSURANCE, AND THE PROPERTY TAXES. SAME THING AS TRIPLE DEBT.

Q WHO HAD AN AGREEMENT?

A ELLIS AND I DISCUSSED THOSE.

Q THAT YOU WOULD PAY -- THERE'S THREE OTHER BUSINESSES THAT OPERATE OUT OF THAT BUILDING?

A NO, SIR. THERE IS NOT. THE FIRST BUILDING BUILT WAS ONE, THAT WAS US. THAT WAS ONE BUILDING.

Q SO YOU'RE TELLING ME -- THE INSURANCE WAS PAID FOR BY A&E ALSO FOR ALL THE BUILDINGS?

A NO. I DON'T THINK SO. LET ME LOOK AND SEE.

Q AND THE OTHERS ARE JUST JOB LEDGER EXPENSES FOR PARKWAY, PARK PLACE, AND ET CETERA DURING THAT TIME, CORRECT? WE HAVE ALREADY DISCUSSED THOSE. "17", ARE THOSE CHECKS THAT A&E WROTE TO PARKWAY OFFICES, FOR WHATEVER REASON, TOTALING 13,123? THERE ARE SOME CHECKS THAT WERE WRITTEN IN HERE TO SEVEN OAKS PAYROLL, EXPENSES, SEVEN OAK EXPENSES, AND SEVEN OAKS. SEVEN OAKS IS YOUR JOB?

A YES, SIR.

Q DO YOU DENY THAT A&E PAID CERTAIN PAYROLL EXPENSES AND OTHER COSTS OF BEHALF OF SEVEN OAKS?

A I'M ON "21"?

Q YES, SIR. I WAS ON "18", AND "18" WAS PLANTATION LAKES AND WE HAVE ALREADY HAD TESTIMONY ON PLANTATION LAKES, CORRECT? NOW, I'M ASKING QUESTIONS ABOUT "21", SEVEN OAKS.

A IT APPEARS TO BE, YES, SIR. I THINK THESE ARE THE ONES THAT YOU ASKED ME ABOUT IN MY DEPOSITION.

CHECKING ACCOUNT RECORD FOR A&E 12/31/07 TO 12/31/08 MARKED FOR IDENTIFICATION AND INTRODUCED INTO EVIDENCE AS PLAINTIFF'S EXHIBIT "21".

Q CORRECT. SO, YOU DON'T DISPUTE THESE $625,000.00 WORTH OF CHARGES HERE, DO YOU, SIR? HAVE YOU HAD A CHANCE TO GO LOOK AT THE CHECKS TO BACK THEM UP?

A ARE YOU ASKING ME IF I'M DISPUTING THE NUMBER?

Q YES, SIR.

A NOT HOW IT'S APPLIED, BUT JUST THE NUMBER?

Q YES, SIR.

A YES. I THINK I AM GOING TO OBJECT TO THAT.

Q LET'S LOOK AT PLAINTIFF'S EXHIBIT NUMBER "2", WHICH IS THE 2005 -- HAVE YOU SEEN THAT ONE BEFORE?

A NO. I HAVE NOT SEEN ANY OF THIS RIGHT THERE.

Q REFERENCE NUMBER ONE IS THE SUPERVISORY FEES IN THE AMOUNT OF $27,121.62. DO YOU ADMIT THAT YOU RECEIVED THOSE CHECKS IN THAT AMOUNT?

A MINE HAS GOT A PENCIL MARK ON IT AND ONE OF THEM SAYS "MATERIAL". AND I WILL GO BACK TO MY EARLIER STATEMENT. I AM NOT SURE. ARE THE CHECKS IN HERE AS WELL?

Q NO. THE CHECKS ARE NOT IN THERE. HAVE YOU NOT HAD A CHANCE TO LOOK AT THOSE?

A I HAVEN'T SEEN THEM. THIS IS THE FIRST TIME I'VE SEEN THIS DOCUMENT YOU PUT IN FRONT OF ME.

Q LET'S GO INTO TAB 2, WHICH IS PRUDENTIAL INSURANCE. THOSE ARE PERSONAL EXPENSES FOR $5,221.60?

A THEY ARE.

Q THEN THE CHARGES YOUR DAUGHTER'S CREDIT CARD OF 223957 ARE PERSONAL EXPENSES?

A MORE THAN LIKELY, MR. DURANT, IS THAT THEY ARE. I KNOW I DID USE THE SHELL CARD AS WELL PERSONALLY, BUT NORMALLY I PURCHASED MY GAS WITH A DEBIT CARD OR I USED ONE OF MY VISA OR MASTER

CARDS. THE COMPANY NEVER BOUGHT ME GAS.

Q NUMBER 10 ARE CHECKS MADE PAYABLE TO CAROLINA FIRST BANK. A LITTLE OVER $23,000.00 BOOKED AS CONSTRUCTION COSTS.

A YES, SIR.

Q DO YOU AGREE THAT MR. -- THAT YOUR ACCOUNT HAD ALREADY BOOKED THIS AS A PERSONAL EXPENSE?

A I AM NOT SURE THAT HE BOOKED IT AS CONSTRUCTION. YES, SIR.

Q THE NEXT ONE, 11, IS BANKERS LIFE. THAT'S A PERSONAL COST TOO, INSURANCE ON 29TH, PLACE? YOUR CONDO?

A THAT LOOKS RIGHT, YES, SIR.

Q THE NEXT TAB 12 IS YOUR PERSONAL INSURANCE FOR $3,744.60?

A THAT'S DISABILITY INSURANCE.

Q THAT'S A PERSONAL EXPENSES, IS IT NOT?

A YES, SIR.

Q WHAT ABOUT THE CHECK THAT YOU MADE PAYABLE TO DOLPHIN FOR $6,209.86?

A HAVE NO IDEA.

Q YOU DON'T KNOW WHAT THAT IS?

A NO, SIR.

Q BUT YOU WROTE THE CHECK, DID YOU NOT, SIR?

A WE HAVE BEEN TRYING TO -- THE ONLY THING WE

FOUND WAS DOLPHIN FIRE AND EQUIPMENT, AND WE HAVE NOT BEEN ABLE TO LOCATE AN INVOICE FOR YOU.

Q WHAT ABOUT 14? IT SAYS, "SIGN WORKS". IS THAT FOR SIGNS FOR THE BLACK PEARL?

A I THINK ONE OF THEM IS. SIGN WORKS ALSO DID SOME WORK AT THE WILLOUGHBY PLACE. I THINK WE HAVE PULLED THOSE INVOICES, MR. DURANT, TO SHOW WHICH ONES THEY ARE. WE PUT THEM ON OUR SCHEDULE IF THEY'RE MINE. IF IT WENT TO ONE OF THE JOBS, WE PUT IT OVER TO WHERE IT WENT.

Q "15" IS A CHECK PAYABLE TO COASTAL PAVING. THAT WAS PAVING WHERE YOUR OFFICE IS?

A ACTUALLY, WHEN WE MOVED OUT OF THE INITIAL BUILDING AND MOVED TO THE SECOND BUILDING, IT WAS JUST A BASE, NO ASPHALT, NO CONCRETE. THE TOTAL BILL WAS $14,000.00. I PAID HALF OF IT AND A&E PAID HALF OF IT.

Q DID YOU EVER DISCUSS IT WITH MR. SMITH ABOUT PAYING FOR PART OF THAT?

A I DID AND HE EVEN HELPED ME PUT THE STORM DRAIN IN.

Q DID HE AGREE THAT HE WOULD PAY HALF OF THE EXPENSES?

A HE NEVER SAID HE WOULDN'T.

Q YOU DIDN'T ASK HIM --

A I DID.
Q YOU DID ASK HIM?
A I JUST SAID THAT I PAID HALF AND HE PAID HALF AND HE NEVER SAID, YES OR NO. HE AND I, ACTUALLY PUT IN PART OF THE STORM DRAIN. I OWNED THE CATCH BASIN AND THE PIPE AND HE AND I PUT MOST OF IT OR PART OF IT IN.
Q I BELIEVE THESE CHECKS PAYABLE ON 16, THOSE HAVE READY BEEN BOOKED AS A PERSONAL EXPENSE, THE CHECKS TO MBNA AND $12,953.32?
A THEY HAVE, AND I JUST STATED A FEW MINUTES AGO, WE HAVE BEEN TRYING -- AND WE PRESENTED CREDIT CARDS SHOWING MY GAS BILLS, SHOWING PAYMENTS TO COMPANIES LIKE, NORADEX SHOWING THEM TO -- WHERE WE BOUGHT MATERIALS ON MY CREDIT CARDS, BUT BECAUSE WE CAN'T SHOW THE ACTUAL CHARGE, NO ONE WANTS TO GIVE ME CREDIT FOR IT. LIKE I STATED A FEW MINUTES AGO, I BOUGHT MY OWN GAS AND PUT IT ON MY OWN CREDIT CARD FOR THE LAST FOUR OR FIVE YEARS, AND I HAVE NEVER BEEN PAID FOR IT. I PAY FOR MY OWN TRUCK, MY OWN TIRES, MY OWN INSURANCE, MY OWN WORK, MY OWN OIL CHANGES. BUT THE COMPANY DOES NEED REIMBURSEMENT AS FAR AS WHAT EVERYBODY SAYS.
Q THE BALANCE OF THE TABS REFLECT, I THINK, JOB

LEDGERS?

A WHERE ARE YOU AT?

Q YOU'RE GOING -- 17. ALL THE WAY TO BRIAN MAULDIN AT 25.

A STARTING AT 25?

Q 17 TILL 25.

A YES.

Q AND 17 AND 25 ARE JOB LEDGERS FOR PROJECTS THAT BELONG TO YOUR FAMILY?

A BELONG TO?

Q YOU OR YOUR FAMILY OR YOURSELF, UP THROUGH 25. PLANTATION LAKES, YOUR SISTER, LITCHFIELD MEDICAL, SEVEN OAKS, YOUR MURRELLS INLET HOME, POINTE MARSH PAYROLL AND OTHER EXPENSES. BRIAN MAULDIN IS YOUR COUSIN. THOSE WERE ALL JOBS THAT YOU WERE PERFORMING FOR MEMBERS OF YOUR FAMILY?

A THAT A&E WAS PERFORMING? IS THAT WHAT YOU'RE SAYING?

Q CORRECT.

A YES, SIR.

Q AND THESE REPRESENT OUTSTANDING CHARGES THAT ARE SHOWN ON THE JOB LEDGERS? DO YOU NEED TO LOOK AT THEM?

A THAT'S WHAT IT APPEARS TO BE.

Q GOING INTO THE TAB 25, THERE IS SOME CATCH ALL'S BACK THERE. YOU'VE GOT ONE PAYMENT ON A DRAFT FOR A TRAIL BLAZER. WAS THAT YOUR DAUGHTER'S CAR?

A LET ME BACK UP. I DON'T MEAN TO INTERRUPT YOU, BUT IT DOESN'T MENTION FIVE OR SIX NAMES OF PROJECTS FOR WHATEVER A&E WAS DOING. I DON'T SEE THEM. THAT'S WHAT --

Q WELL, IF WE GO FROM 17 -- THE PART 17 IS FOR EXPENSES AT THE PUTT-PUTT?

A I'M JUST LOOKING BACK TO 24, 25.

Q IF YOU DISAGREE WITH ME, TELL ME. 18 IS FOR PARKWAY OFFICES. THAT'S THE OFFICE JOB, CORRECT?

A I THINK WE DISCUSSED PARKWAY OFFICES A LITTLE EARLIER.

Q WE DID. THESE ARE IN SEQUENTIAL ORDER IN TERMS OF YEARS. AND PLANTATION LAKES IS, OF COURSE, A CONTINUATION OF THE PLANATION LAKES JOB. THE GAIL PERRY HOUSE IN 20, THAT'S A JOB FOR YOUR SISTER AND IT'S JUST ONE INVOICE?

A OKAY.

Q THE LITCHFIELD MEDICAL CENTER PAYROLL AND EXPENSES, THAT'S FINISHING UP A OLD JOB OF YOURS?

A YES.
Q YOU OWE FOR THOSE EXPENSES, DO YOU NOT?
A YES.
Q THE SEVEN OAKS AND 22 AND THOSE EXPENSES, THAT WAS A OLD JOB OF YOURS, WAS IT NOT? THAT WAS CHARGED TO A&E, THESE EXPENSES?
A YES.
Q AND YOU OWE FOR THOSE, DO YOU NOT?
A I DO.
Q AND THE MURRELL'S INLET HOME IN 23, THOSE ARE EXPENSES FOR YOU AND YOUR WIFE'S PERSONAL HOME?
A THAT LOOKS CORRECT.
Q 24 IS THE POINTE MARSH, PARK PLACE PROPERTY JOB. THOSE ARE EXPENSES FOR -- PAID THROUGH A&E FOR THE POINTE MARSH CONSTRUCTION PROJECT? THAT WE HAVE ALREADY DISCUSSED.
A OKAY.
Q DO THOSE FIGURES APPEAR TO BE CORRECT ACCORDING TO THE JOB LENDERS?
A ACCORDING TO THE JOB LEDGERS, I WOULD SAY, YES. I WOULD JUST HAVE TO REVIEW THEM. I DON'T KNOW IF IT'S CORRECT OR NOT.
Q 25 IS BRIAN MAULDIN. THAT WAS AN EXPENSE PAID AND THAT IS SOMEONE RELATED TO YOU?
A YES.

Q AND THAT'S AN EXPENSE YOU OWE BACK TO THE COMPANY?
A WHY WOULD I OWE THAT BACK TO THE COMPANY?
Q WELL, YOU CHARGED IT. DIDN'T YOU PAY AN EXPENSE ON BEHALF OF MR. MAULDIN BACK TO THE COMPANY?
A NO, SIR. THAT WAS MARBLE SLAB.
Q THAT WAS A MARBLE SLAB JOB?
A YES, SIR.
Q I'M SHOWING INVOICES PAID FOR $2,431.39?
A I'M LOOKING AT IT, YES.
Q WAS HE NOT BILLED FOR THAT?
A I'M SURE HE WAS BILLED THROUGH MARBLE SLAB.
Q DO YOU KNOW WHETHER ANYBODY HAS MADE PAYMENT?
A MARBLE SLAB HAS MADE PAYMENT FOR A HUNDRED AND SOME ODD THOUSAND DOLLARS.
Q 26 IS OTHER RECEIVABLES. I DON'T HAVE A TAB BUT IT SHOWS A DRAFT ON THE TRAIL BLAZER THAT THE NOTE SAYS, "WAYNE'S DAUGHTER, $1,047.82"? DOES YOUR DAUGHTER HAVE A TRAIL BLAZER THAT HAD A PAYMENT?
A SHE DID HAVE A TRAIL BLAZER.
Q AND YOU MADE THAT PAYMENT OUT OF THE A&E ACCOUNT?
A I'M NOT SURE ABOUT THAT. IT APPEARS THAT I DID.
Q AND THERE'S A MCCGB-GMAC PAYMENT FOR 1,754.50.

WHO WERE YOU MAKING PAYMENT TO FOR THAT?

A THE ONLY VEHICLE WE HAD THAT I CAN RECALL A GMAC ON THE TRUCK WAS ELLIS'S TRUCK, THE ONE HE IS DRIVING.

Q BUT THIS IS FEBRUARY 4TH, 2005.

A WE BOUGHT THAT TRUCK IN JANUARY 2005.

Q AND THE GMAC PAYMENT WOULD BE WHOSE CAR FOR $600 ...

A I DON'T KNOW WHAT THAT IS.

Q IT SAYS, "WIFE'S CAR". FOLLOWING THAT IS A CHECK TO HORRY COUNTY TAX OFFICE DATED 4/22/05 IN THE AMOUNT OF $16,572.12. YOU WROTE THAT CHECK, DIDN'T YOU, SIR?

A I DID.

Q AND THAT WAS FOR YOUR PERSONAL PROPERTY TAXES?

A CAN I UN-STAPLE THIS?

Q SURE.

A THE FIRST BILL IS FOR 29TH PLACE, CARRIAGE ROAD.

Q THAT WAS YOUR PERSONAL CONDO, CORRECT?

A $1,187.62.

Q THE SECOND ONE IS FOR THE SAME PROPERTY, $24.81?

A IT LOOKS LIKE ALL OF THEM ARE MY PERSONAL TAXES EXCEPT FOR THE ONES ON THE OFFICE BUILDING. THAT'S THE ONE THAT'S STATED SOUTHWEST OF 501.

Q WELL, THERE'S TWO PIECES OF PROPERTY ON THERE,

ISN'T THERE, ONE THAT'S OWNED BY LINDA AND ONE THAT'S OWNED BY ...

A THE FIRST BUILDING, SOUTHWEST 501, WE OCCUPIED FOR SEVERAL YEARS. THE SECOND BUILDING IS THE ONE WE MOVED INTO THAT SAYS, "SOUTHWEST OF 501" AND THE SECOND ONE SAYS S/W501. THAT'S THE ONE THAT WE HAVE OCCUPIED UP THROUGH 2009.

Q WELL, THIS CHECK WAS WRITTEN 4/22/05 AND IT WAS WRITTEN FOR TAXES IN 2004. SO, DID YOU TELL MR. SMITH THAT YOU WRITING A CHECK TO THE HORRY COUNTY TAX OFFICE, IT LOOKS LIKE, AT LEAST, FOR EVERYONE, BUT ONE WAS YOUR PERSONAL PROPERTY TAX?

A NO, I DID NOT.

OFF THE RECORD.

MR. DURANT: YOUR HONOR. WE HAD PLAINTIFF'S EXHIBIT NUMBER "23" WAS A CONTENT AGREEMENT IT WAS NOT INTRODUCED INTO EVIDENCE.

MS. COOK: I OBJECT ON RELEVANCY.

Q MR. VEREEN, LET ME HAND YOU PLAINTIFF'S EXHIBIT NUMBER "23". IT IS A CONSENT AGREEMENT THAT IS AN ORDER OF THE CONTRACTORS LICENSING BOARD?

MS. COOK: YOUR HONOR, HE IS GOING TO HAVE TO LAY A FOUNDATION.

MR. DURANT: IS ALREADY BEEN ADMITTED.
JUDGE HOWE: MIGHT NEED TO BACKUP. I UNDERSTAND THE OBJECTION. IT'S BEEN OVERRULED. LET'S GO FORWARD AND SEE IF WE CAN GET IT ADMITTED. I'VE OVERRULED HER OBJECTION.

A YES, I SIGNED THIS.

Q THAT IS YOUR DAUGHTER'S SIGNATURE AS WITNESS OR AS ATTORNEY DATED 10/27/2009?

A YES.

Q MR. LEHMANN IS THE CHAIRMAN OF THE LABOR LICENSING BOARD CONTRACTORS LICENSING BOARD?

A YES, HE IS.

Q THIS INVOLVED A COMPLAINT MADE BY A HOMEOWNER CONCERNING CONSTRUCTION IN LONG BAY?

A THAT'S CORRECT.

Q AND THE RESULT OF THIS CONSENT AGREEMENT WAS THIS ORDER, WHICH FINED YOU AND ALSO PLACED YOUR LICENSE ON PROBATION FOR A PERIOD OF TWO YEARS?

A WHAT THE FINE WAS-- AND YOU MADE A STATEMENT A WHILE AGO THAT THE STATE SAID I LET SOMEBODY USE MY LICENSE AND THAT'S NOT WHAT THIS CONSENT LETTER IS. THIS CONSENT LETTER CLEARLY STATES WHAT THE STATE FINED ME FOR IS FAILURE TO PULL MY PERMIT. TO PULL MY PERMIT AFTER I DIDN'T

BUILD THE HOUSE. THAT'S WHAT I WAS FINED FOR AND THAT'S WHAT I CONSENTED TO. I DID NOT LET ANYONE USE MY LICENSE AND I DID NOT HAVE KNOWLEDGE THAT THEY WERE BUILDING THIS HOUSE ON MY LICENSE. I DID BUY THE PERMIT AND I DECIDED NOT TO BUILD THIS HOUSE. MY FAILURE WAS NOT TO PULL MY PERMIT AND THAT'S EXACTLY WHAT THIS CONSENT LETTER IS AND THAT'S EXACTLY WHAT I PAID THE FINE FOR.

Q YOU, ARTHUR VEREEN CONSTRUCTION COMPANY, OBTAINED A LICENSE TO CONSTRUCT THE HOUSE IN LONG BAY?

A ABSOLUTELY, I DID.

Q MR. SHANE HOLLY WAS YOUR BUSINESS PARTNER IN THE PLANTATION LAKES LOT. HE WAS THE ONE WHO ACTUALLY DID THE CONSTRUCTION AT THE HOUSE, CORRECT?

A YOU IDENTIFY THIS IS PLANTATION LAKES AND THIS WAS NOT PLANTATION ...

Q NO, NO. LONG BAY.

A A FEW MINUTES AGO YOU SAID THAT YOUR STATEMENT WAS PERTAINING TO PLANTATION LAKES AND IT WAS NOT, IT WAS LONG BAY.

Q I APOLOGIZE, BUT MR. HOLLY, TOOK YOUR PERMIT AND BUILT A HOUSE?

A THAT'S CORRECT.

Q AND THEN THERE WAS A COMPLAINT BY A HOMEOWNERS CONCERNING DEFECTIVE CONSTRUCTION?

A THAT'S CORRECT.

Q AND AS A RESULT, THIS IS WHAT -- AN ORDER WAS ENTERED?

A THE SOUTH CAROLINA -- I MET WITH THE INSPECTOR FROM THE STATE OF SOUTH CAROLINA. THE STATE OF SOUTH CAROLINA INSPECTOR FOUND ME AT NO FAULT WITH THE CONSTRUCTION OF THE HOUSE. I WAS NOT LIABLE FOR ANY CONSTRUCTION DEFECTS OF THE HOUSE. THEY DETERMINED THE HOUSE WAS BUILT BY SHANE HOLLY AND THEY CONSENTED WITH ME AND THEY FINED ME FOR NOT PULLING MY PERMIT. THEY SAID I SHOULD HAVE GONE TO THE COUNTY. AND I JUST NEGLECTED AND DIDN'T DO IT. I DID NOT GO AND PULL MY PERMIT. DIDN'T TAKE IT OUT OF MY NAME AND THAT'S WHAT I WAS CHARGED FOR, NOT FOR LETTING SOMEONE USE MY LICENSE. THEY DID NOT USE MY LICENSE WITH MY CONSENT, AND I DID THAT SAME COMMENT, AND THE SAME STATEMENT, I MADE TO YOU IN MY DEPOSITION.

Q WELL, WHAT HAPPENED IS YOU OBTAINED A PERMIT FOR CONSTRUCTION OF A HOUSES IN LONG BAY IN ARTHUR VEREEN CONSTRUCTION?

A I DID.
Q AS A RESULT OF THAT, MR. HOLLY BUILT A HOUSE USING YOUR PERMIT, WHETHER YOU KNEW BECAUSE YOU ACTUALLY APPLIED FOR THE PERMIT, DIDN'T YOU?
A I DID BUY THE PERMIT, BUT YOUR IMPLICATION, A FEW MINUTES AGO, IS THAT I KNEW THAT HE BUILT THAT HOUSE USING MY LICENSE. I DID NOT. I DID NOT KNOW UNTIL THIS LADY CALLED ME BACK IN 2008, 2009, WHATEVER THAT DATE WAS.
Q WELL, YOU APPLIED FOR THE PERMIT?
A I DID. I HAVE ALREADY STATED THAT. THE STATE OF SOUTH CAROLINA DID NOT CHARGE ME FOR LETTING SOMEONE USE MY LICENSE. THEY CHARGED ME FOR FAILURE TO PULL MY PERMIT.
Q IN OTHER WORDS ...
A AND THAT'S EXACTLY WHAT ... THAT'S EXACTLY WHAT THIS CONSENT LETTER SAYS. I SHOULD'VE GONE AND PULLED MY NAME OFF THAT PERMIT. ABSOLUTELY, CORRECT. THE STATE OF SOUTH CAROLINA SAYS THIS IS WHAT WE FOUND WITH ALL THE EVIDENCE THEY COLLECTED. WHAT THEY CAME BACK WITH AND SAID WHAT ERROR YOU MADE, WAS NOT GOING TO PULL YOUR PERMIT.
Q YOU HAD A PERMIT THERE FOR A HOUSE TO BE BUILT AND YOUR STATEMENT, I THINK, IT IS, IS YOU

DIDN'T GO AND REVOKE THE PERMIT AND THE HOUSE WAS BUILT WITHOUT YOUR KNOWLEDGE?

A THAT'S CORRECT.

JUDGE HOWE: ALRIGHT. I'LL ADMIT IT.

EXHIBIT "23".

CONSENT ORDER REGARDING 2008 144 SCLLR CONTRACTORS HEARING MARKED FOR IDENTIFICATION AND INTRODUCED INTO EVIDENCE AS PLAINTIFF'S EXHIBIT "23".

Q I HAND YOU FOR IDENTIFICATION ONLY, PLAINTIFF'S "37", WHICH HAVE NOT BEEN SHOWN TO COUNSEL. ARE THESE TWO CHECKS THAT WERE MADE FROM YOUR LENDER AT POINTE MARSH FOR CONSTRUCTION DISBURSEMENTS?

MR. COOK: MAY I SEE THEM.

Q IS THIS A DISBURSEMENT CHECK FROM FIRST PALMETTO?

A I BELIEVE SO.

CHECK FROM FIRST PALMETTO MARKED FOR IDENTIFICATION AND INTRODUCED INTO EVIDENCE AS PLAINTIFF'S EXHIBIT "37".

Q ONE YOUR LOANS AT POINTE MARSH?

A YES.

Q AND ISN'T IT TRUE, MR. VEREEN, THAT YOU

DEPOSITED YOUR CONSTRUCTION DRAWS IN PARK PLACE PROPERTIES FROM THESE LOANS AT FIRST PALMETTO?

A YES.

Q WHAT WOULD YOU DO WITH THE CHECKS? YOU WOULD ENDORSE A&E CONSTRUCTORS ON THE BACK OF THE CHECKS AND DEPOSIT THEM IN?

A I'M NOT SURE. I DEPOSITED NORMALLY AT PARK PLACE PROPERTY. I'M NOT SURE WITHOUT SEEING THE BACK OF THE CHECK.

MR. DURANT: WE OFFER THAT INTO EVIDENCE.

MS. COOK: NO OBJECTION.

JUDGE HOWE: DEFENDANTS "37" ADMITTED.

Q WHY DID THEY PUT A&E CONSTRUCTION ON THIS?

A I HAVE NO IDEA.

Q COULD IT BE THAT YOU HAD A CONSTRUCTION CONTRACT THAT YOU PRESENTED TO THE BANK FOR PURPOSES OF THE LOAN?

A I DON'T RECALL THAT, SIR.

Q YOU DON'T THINK YOU EVER DID THAT?

A I DON'T THINK SO, SIR.

Q I HAND YOU PLAINTIFF'S EXHIBIT "36", WHICH I HAVEN'T SHOWN TO COUNSEL. MR. VEREEN, IS THAT SOMETHING FROM YOUR ACCOUNTANT, MR. CRUMPLER, HIS OFFICE WHERE THEY HAVE RE-CLASSIFIED

EXPENSES AFTER YOU FILED YOUR TAX RETURN IN '05 AS PERSONAL EXPENSES? YOU'VE SEEN THAT DOCUMENT, HAVEN'T YOU?

A I HAVE.

Q THAT IS WHERE YOUR ACCOUNT HAS RE-CLASSIFIED CERTAIN CHARGES MADE OR CHECKS WRITTEN OUT OF THE A&E ACCOUNT AS BEING PERSONAL EXPENSES VERSUS BUSINESS EXPENSES?

A AFTER WHEN, SIR?

Q IF YOU FILED YOUR TAX RETURNS?

A I'M NOT SO SURE ABOUT THAT. IT'S DATED ON THERE 12/31/04, SO I'M NOT SURE.

Q WELL, WHEN YOU FILED -- I WILL HAND YOU PLAINTIFF'S EXHIBIT "38", IS THIS THE SAME THING FOR 2006, WHERE YOUR ACCOUNT HAS RE-CLASSIFIED OR HAS CLASSIFIED CERTAIN EXPENDITURES BY A&E TO YOU AS BEING PERSONAL EXPENSES?

A I DON'T KNOW, SIR. I'VE NEVER SEEN THIS DOCUMENT.

A&E JOBS OUTSTANDING
AS OF 12/31/06
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "38".

Q YOU'VE NEVER SEEN THIS DOCUMENT?

A NO, SIR, I HAVE NOT.
Q THIS WAS ACTUALLY JOBS OUTSTANDING YEAR END NUMBER "38", IS THAT CORRECT? YOU HAVE SEEN THAT DOCUMENT BEFORE, HAVEN'T YOU?
A I HAVE SEEN THIS FIRST SHEET, YES.
Q THAT'S WHERE YOUR ACCOUNTANT HAS RE-CLASSIFIED 2006 FROM A&E AS BEING PERSONAL EXPENDITURES THAT YOU OWE THE COMPANY BACK FOR?
A NO, SIR. THIS IS '05 AND 2004.
Q THIS IS '05 RIGHT HERE. SO HE'S SHOWING EXPENDITURE TO YOU FOR YOUR BEHALF THAT ARE PERSONAL EXPENSES?
A THAT'S CORRECT. THAT DOES NOT SHOW THE PAPERWORK THAT WE HAVE GIVEN BACK TO RICHARD, THE SAME GENTLEMAN WHO PREPARED THIS DOCUMENT. IT SHOWS PAYMENTS OUT OF ARTHUR VEREEN CONSTRUCTION COMPANY, PARK PLACE PROPERTIES, SHOWING THOSE DISBURSEMENTS BACK.
Q YOU HAVE SEEN THIS DOCUMENT?
A I HAVE SEEN THAT DOCUMENT. YES, SIR, BUT THAT'S JUST A SMALL PICTURE.

MR. DURANT: I OFFER "35" INTO EVIDENCE.

A&E ACCOUNTS RECEIVABLE
AS OF 12/31/05

MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "35".

Q "36" IS WHERE YOUR ACCOUNTANT HAS RE-CLASSIFIED EXPENSES AS PERSONAL EXPENSES, IS THAT CORRECT, MR. VEREEN?

A I BELIEVE THIS IS THE DOCUMENT I TOLD YOU I HAD NOT SEEN.

Q THIS IS ONE YOU HAVE NOT SEEN, WHICH IS THE STATUS OF YOUR ACCOUNTS AT THE END OR THE YEAR.

A I AM NOT REAL SURE IF I'VE SEEN THIS ONE. I HAVEN'T SEEN THE THIRD ONE YOU SHOWED ME.

A&E ACCOUNTS RECEIVABLE
AS OF 12/31/04
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "36".

Q THIS ONE, WHICH IS THE ACCOUNTS RECEIVABLE, WAYNE -- DECEMBER -- "35". ON "35", WHICH YOU SAID YOU HAD SEEN, IS THIS WHERE YOUR ACCOUNTANT RE-CLASSIFIED THE PLANTATION LAKES SALE AS BEING A CREDIT TO YOUR ACCOUNTS RECEIVABLE RATHER THAN A LOAN TO THE COMPANY?

A WHERE?

Q THE LAST ONE.

A I'M LOOKING AT IT. I'M JUST TRYING TO -- I MEAN, I DON'T KNOW. I DON'T KNOW.
Q THE 102,480.96 WAS THE NET PROCEEDS FROM THE SALE?
A THAT'S CORRECT.
Q AND IT WAS ORIGINALLY BOOKED ON YOUR TAX RETURNS HAS HAVING BEEN A LOAN TO A&E FROM YOU?
A I'M NOT SURE ABOUT THAT, SIR.
Q ON THIS ONE, IT SHOWS A PERSONAL EXPENSE, PAYMENTS TO FIRST PALMETTO OF $36,116.70 FROM THE A&E CHECKBOOK?
A THAT'S CORRECT.
Q THOSE CHECKS WERE WRITTEN BY YOU TO FIRST PALMETTO BANK?
A THAT'S CORRECT.
Q SO, THEY'RE NOT INCLUDED ON MRS. BRADY'S REPORTS BECAUSE THEY WERE CLASSIFIED AS PERSONAL EXPENSES?
A I CAN ANSWER -- CAN'T ANSWER THAT QUESTION.
Q SO, WHY DID YOU MAKE PAYMENTS TO FIRST PALMETTO BANK FOR $36,000.00 OUT OF THE A&E CHECKING ACCOUNT?
A I THINK I STATED YESTERDAY THAT I WROTE CHECKS ON A&E AND REIMBURSED THEM THROUGH ARTHUR VEREEN CONSTRUCTION COMPANY, PARK PLACE PROPERTIES, AND

THOSE PAYMENTS WERE MADE BACK. AND I THINK EVERY WEEK WE HAVE MADE COPIES OF CHECKS, FRONT AND BACK, AND OFFERED THOSE TO YOU.

Q YES. BUT WHAT I'M ASKING YOU, SIR, IS IF YOU HAD MONEY IN ALL THESE OTHER ACCOUNTS, WHY WERE YOU PAYING YOUR PERSONAL BILLS TO FIRST PALMETTO BANK FOR $36,000.00 OUT OF THE A&E ACCOUNT?

A WELL, I REALLY CAN'T ANSWER THAT QUESTION. IT'S THE SAME THING AS TO WHY I PAY A&E BILLS OUT OF MY PERSONAL ACCOUNT. WHY I PAID A&E BILLS OUT OF PARK PLACE PROPERTY ACCOUNTS. WE HAVE GIVEN YOU COPIES OF THOSE CHECKS AND WE'VE GONE BACK AND RE-CLASSIFIED THAT STUFF AND STRAIGHTENED IT OUT FOR YOU, BUT HAVE NEVER DENIED, NEVER DENIED, THAT I WROTE THOSE CHECKS. BUT I ALSO PAID A TREMENDOUS AMOUNT OF BILLS ON BEHALF OF A&E OUT OF PERSONAL ACCOUNTS.

Q ON 12/31 YOU MADE PAYMENTS TO CAROLINA FIRST BANK 681 AND $500.00 OUT OF THE A&E ACCOUNT AND YOU CLASSIFIED THOSE AS PERSONAL EXPENSES?

A I HAVE NOT CLASSIFIED THOSE -- I DON'T KNOW IF I'VE CLASSIFIED THOSE AS PERSONAL EXPENSES. SOON AS YOU LOOK AT ALL THE DOCUMENTS WE HAVE PRESENTED, I DON'T HAVE THAT STUFF IN FRONT OF ME. WE'VE GIVING IT TO YOU AND CLASSIFIED EVERY

CHECK THAT'S WRITTEN OUT OF A&E, EVERY CHECK THAT WAS WRITTEN OUT OF ARTHUR W. VEREEN, EVERY CHECK THAT WAS WRITTEN OUT OF ARTHUR VEREEN CONSTRUCTION COMPANY, EVERY CHECK WRITTEN OUT OF PARK PLACE PROPERTIES, GIVEN YOU BACK UP INVOICES WITH THEM, COPIES OF THE CHECKS, FRONT AND BACK, ALL THE DEPOSITS WE HAVE PROVIDED THAT INFORMATION FOR YOU. SO, I'M NOT GOING TO SIT HERE AND TELL YOU TODAY THAT I THINK EVERYTHING ON THIS PIECE OF PAPER IS CORRECT.

Q DID A&E EVER BORROW ANY MONEY FROM FIRST PALMETTO BANK?

A NO.

Q SO, THEY HAD NO REASON TO WRITE FIRST PALMETTO A CHECK, DID THEY?

A NO, SIR. JUST LIKE A&E AND PARK PLACE PROPERTIES DID BORROW MONEY TO BUY MATERIALS OR BUY A METAL BUILDING THAT I WROTE THEM A CHECK FOR.

Q WHAT ARE YOU TALKING ABOUT?

A WE DID A JOB DOWN IN CAROLINA FOREST. PARK PLACE PROPERTIES WROTE THE CASHIERS CHECK ON THAT BUILDING FOR $97,000.00.

Q YOU GOT YOUR MONEY BACK THE SAME WEEK?

A I DID GET IT BACK. IT'S THE SAME THING AS PARK

PLACE PROPERTIES WROTE THIS CHECK AND A&E, THEY GOT THEIR MONEY BACK. IT'S THE SAME THING, MR. DURANT. YOU'RE MAKING ACCUSATIONS THAT THEY DIDN'T GET THEIR MONEY BACK. WE HAVE PROVIDED YOU COPIES OF EVERY CHECK WE HAVE WRITTEN, EVERY DEPOSIT THAT WE HAVE PREPARED, EVERY INVOICE WE PAID ON BEHALF OF A&E THAT HAS BEEN PAID. WE HAVE GIVEN YOU A COPY OF THAT CHECK, FRONT AND BACK, AND A COPY OF THE INVOICE. WE'VE DONE ALL THAT ACCOUNTING.

Q LET ME ASK YOU, SIR, DID THESE THREE CHECKS TO CAROLINA BANK, A&E DIDN'T HAVE A LOAN WITH CAROLINA BANK, DID THEY?

A I DON'T KNOW WHAT THESE PAYMENTS ARE FOR, SIR.

Q BUT YOU WROTE THE CHECKS?

A I DID, BUT WE KNOW NOW, BECAUSE WE'VE GONE BACK AND PULLED THOSE CHECKS AND RE-CLASSIFIED -- CLASSIFIED THOSE CHECKS WHERE THEY WENT.

Q YOU MADE THESE CHECKS TO FLYING CLOUD, WHICH IS YOUR ...

A IT'S A PERSONAL EXPENSE, YES, SIR.

Q AND YOU WROTE THOSE OUT OF THE A&E ACCOUNT?

A THAT'S CORRECT.

Q AND YOU WROTE YOUR HORRY COUNTY GAMECOCK CLUB OUT OF THE A&E ACCOUNT?

A I DID.
Q AND YOU WROTE THESE THREE CHECKS TO YOURSELF FOR $7,500.00, $11,100.00, AND $7,500.00 OUT OF THE ACCOUNT IN 2005, TO YOU?
A I DID. AND I'LL GO BACK AND SAY THE STATEMENT THAT I'VE JUST SAID, AND I'VE BEEN TRYING TO FOR TWO DAYS, YOU WANT TO GO BACK AND YOU WILL NOT TAKE THE TIME TO LOOK AT ALL THE PAPERWORK WE'VE PROVIDED TO YOU FOR EVERY CHECK THAT HAS BEEN WRITTEN. YOU WON'T TAKE THE TIME TO GO LOOK AT IT. IF YOU WOULD SIT DOWN AND GO THROUGH EVERY ONE OF THOSE CHECKS, EVERY ONE OF THOSE INVOICES, EVERY ONE OF THOSE DEPOSITS, WHATEVER ENTITIES WROTE THOSE CHECKS, WHETHER IT'S A&E, ARTHUR W. VEREEN, PARK PLACE, ARTHUR VEREEN CONSTRUCTION, WHOEVER IT IS, IF YOU SIT DOWN AND GO AT IT, WE WOULDN'T BE HAVING THIS BATTLE TODAY.
Q AND ACCORDING TO THIS SHEET IN 2005, YOU WROTE CHECKS OUT OF THE A&E ACCOUNT TO FIRST PALMETTO BANK FOR $64,310.17, CORRECT? SHOWN ON YOUR SHEET.
A THAT'S CORRECT.
Q THAT WAS AN A&E CHECK?
A IT WAS.

Q A&E DOESN'T HAVE A LOAN WITH FIRST PALMETTO BANK, DO THEY?

A IT DOES NOT. IT ALSO DOES NOT SHOW -- YOU'RE NOT PICKING UP ANY CHECKS THAT PARK PLACE PROPERTIES WROTE BACK TO A&E.

Q DID YOU TELL MR. SMITH THAT YOU'RE PAYING YOUR PERSONAL BILLS TO BANKS OUT OF THE A&E ACCOUNT?

A I DON'T BELIEVE I DID, NO, SIR. AT THE SAME TIME, DID I TELL MR. SMITH THAT I WAS MAKING DEPOSITS BACK INTO A&E FOR PARK PLACE PROPERTIES OR ME PERSONALLY, WHEN I MADE THOSE DEPOSITS? I DID NOT.

Q THERE WAS NO WAY FOR HIM TO KNOW ANYTHING YOU WERE DOING OUT OF THE ACCOUNT, WAS IT, MR. VEREEN?

A YES, SIR. THE CHECKBOOKS WERE THERE IF HE WANTED TO TAKE THE TIME TO COME AND LOOK HE COULD HAVE BEEN THERE. I TOLD YOU YESTERDAY, IN DEPOSITIONS YESTERDAY. WE WERE STANDING IN THE OFFICE WHEN WE HAD TO MAKE CASH CALL, MONEY HAD TO BE PUT INTO A&E AND I ASKED ELLIS, "WHAT PART HE WAS GOING TO PUT IN?". I MADE THAT DEPOSIT THE ENTIRE ACCOUNT AMOUNT.

Q WHEN IT WAS OPEN, THE ACCOUNT WAS OPEN?

A NO, SIR. THIS WAS BACK IN '05. MY DEPOSITION

-- MY TESTIMONY YESTERDAY AND YOU WILL FIND THIS IS EXACTLY WHAT I SAID YESTERDAY ...

Q ... YOU MEAN THE $75,000 YOU PUT IN?

A NO, SIR ...

Q ... YOU PUT $75,000 IN ON OCTOBER 27TH ...

A OF 2004.

Q YOU TOOK IT OUT ON OCTOBER 29TH, OF 2004?

A THIS DOCUMENT RIGHT HERE, IF YOU JUST GO BACK AND PULL OUT ALL THAT INFORMATION THAT WE HAVE PREPARED FOR YOU, THAT WE SPENT SO MUCH TIME BECAUSE YOU SAID, "WELL, YOU DON'T HAVE A BACK UP FOR THEM." WELL, I GUESS HE IS NOT GOING TO LISTEN TO ME TALK. YOU'RE JUST NOT WILLING TO SIT DOWN, GO THROUGH EVERY ONE OF THOSE CHECKS. YOU MADE A COMMENT TO ME OVER A YEAR, "WELL, WE DON'T HAVE THE BACK UP FOR THEM AND WE ARE NOT GOING TO GIVE YOU CREDIT FOR THIS." WE HAVE SPENT ALL THAT TIME GOING BACK AND PULLING ALL THOSE CHECKS, ALL THOSE INVOICES, FRONT AND BACKS, TO VERIFY THOSE DEPOSITS WERE MADE. THEY WERE DEPOSITED INTO THE ACCOUNT AND WE PULLED ALL THOSE INVOICES, WHICH WERE ATTACHED TO THOSE. WE'VE DONE ALL THAT PAPER TRAIL FROM DAY ONE TILL TODAY, AND YOU DON'T WANT TO LOOK AT IT?

Q I DON'T WANT TO LOOK AT IT.
A SIR, WE PREPARED THAT DOCUMENT. OBVIOUSLY, WE PREPARED THAT DOCUMENT AND BROUGHT IT TO YOU, STACKS OF THAT STUFF.
Q ARE YOU TALKING ABOUT STUFF THAT WE GOT DECEMBER 1ST, 2010?
A THAT'S CORRECT.
Q BUT THE MONEY ...
A IT STARTS BACK IN 2004, SIR, AND IT GOES FORWARD.
Q MR. VEREEN, I HAND YOU EXHIBIT NUMBER "9", WHICH IS AN INVOICE AND A CHECK FOR A BILL AT STOCK BUILDERS AND BELOW THAT IS ANOTHER INVOICE IN THE AMOUNT OF $22,000.00. YOU HAVE SEEN THIS BEFORE, HAVEN'T YOU, SIR?
A I HAVE.

DEMAND LETTER WITH DOCUMENTS
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "9".

Q THAT IS A CHECK PAYABLE TO STOCK BUILDERS FOR SOME MATERIAL THAT WAS DELIVERED TO POINTE MARSH, NUMBER 23. ISN'T THAT WHAT IT SAYS ON THE BILL?
A THAT'S CORRECT.

Q WHAT DID YOU TYPE ON YOUR CHECK FOR PAYMENT ON THE TOP?

A IT WAS TYPED ON THERE, WILLOUGHBY AND BUILDING SEVEN, BUILDING EIGHT, BUILDING THREE AND THE POOL BUILDING.

Q AND THAT'S TYPED BY YOU PERSONALLY, THAT ISN'T COMPUTER TYPED, IS IT?

A I DIDN'T TYPE IT.

Q THE TYPE ON YOUR CHECKS IS NOT LIKE THAT, IS IT?

A NO. IT'S NOT COMPUTER-GENERATED. NO, SIR.

Q IS THAT YOUR SIGNATURE ON THAT CHECK?

A WELL, ACTUALLY, I DON'T SEE IT. ACTUALLY, I DON'T SEE A SIGNATURE.

Q IS JUST A PHOTOCOPY, YES, SIR. WELL, THE ONE ON THE BACK IS A COPY OF THE CHECK THAT YOU PAID TO STOCK ...

A I DON'T SEE ...

Q IT'S SIGNED PARK PLACE PROPERTIES, IS IT NOT? IT'S A DIFFERENT INVOICE PAYABLE BY PARK PLACE PROPERTIES TO STOCK BUILDERS. THERE'S TWO CHECKS IN THERE?

A THAT'S CORRECT, BUT THERE'S NOT A SIGNATURE ON EITHER ONE OF THEM.

Q TELL ME, SIR, THE FIRST INVOICE IT SAYS ON THE INVOICE, "FOR MATERIALS DELIVERED TO LOT 23,

PARK PLACE." WHY DID YOU CHARGE THAT TO THE WILLOUGHBY JOB?

A WELL, IF YOU WERE GOING TO SIT HERE AND BEAT ON ME AGAIN, BUT ON OUR CLASSIFICATION PAPERWORK THAT WE HAVE DONE, WE HAVE PICKED THAT UP AS A PAYABLE TO PARK PLACE. I DON'T AGREE WITH IT. PARK PLACE PROPERTIES HAD ACTUALLY PAID SOME INVOICES FOR SOME MATERIAL THAT ACTUALLY WAS DELIVERED AND PUT IN OUR BILLS UNDER PARK PLACE. THAT SHOULD HAVE BEEN BILLED TO WILLOUGHBY PLACE. PARK PLACE PROPERTIES HAD PAID FOR THEM IN THE PREVIOUS MONTH. I PAID THAT OUT OF A&E TO REIMBURSE PARK PLACE PROPERTIES. I SHOULD HAVE PUT THAT MONEY IN -- I DID -- WE ACTUALLY PAID THAT 22,000 SOME ODD DOLLARS UP AND PUT ON OUR LEDGER AND SAID THAT'S OUR BILL BECAUSE WE CAN'T FIND OUR STOCK BILL, OUR INVOICES. THEY HAVE DISAPPEARED FROM OUR OFFICE. NOW, WE'VE GOT THEM UP TO A CERTAIN DATE AND WE DON'T HAVE THEM ANY FURTHER. WE'VE BEEN LOOKING FOR THOSE FOR SEVERAL YEARS. SOMEONE HAS REMOVED THE STOCK INVOICES FROM OUR OFFICE. THEY WERE THERE UNTIL WHOMEVER WENT IN OUR OFFICE AND WENT IN ALL OF OUR BOOKS DURING THAT PERIOD OF TIME. A LOT OF OUR MATERIALS HAVE DISAPPEARED. WE HAVE

NOT BEEN ABLE TO PROVE. STOCK IS OUT OF BUSINESS AND WE CANNOT GO BACK AND GET COPIES OF THOSE INVOICES. SO, WE HAVE TAKEN THAT AMOUNT OF MONEY AND IF YOU WILL LOOK AT THE ACCOUNTING WE'VE DONE, IT IS STUCK ON OUR BOOKS.

Q I DON'T UNDERSTAND WHAT YOU'RE SAYING ABOUT "STUCK ON YOUR BOOKS".

A WE HAVE CLASSIFIED THEM AS OUR MONEY. WE OWE IT BECAUSE WE CAN'T DISPUTE IT, AND SO, WE HAVE CLASSIFIED ON THE PAPERWORK THAT WE PROVIDED TO YOU. WE'VE CLASSIFIED IT. WE WILL EXCEPT THAT $22,000 AS OUR BILL AND WE PUT IT ON OUR SIDE OF THE LEDGER. SO, I'M NOT DENYING IT.

Q I DON'T NEED TO ASK YOU ANYTHING ELSE. ACCORDING TO YOU NOW, THIS IS THE RESPONSIBILITY OF PARK PLACE, THIS 22,000?

A YES, SIR.

MS. COOK: DID YOU ASK TO INTRODUCE IT?

MR. DURANT: OFFERED IT INTO EVIDENCE.

JUDGE HOWE: PLAINTIFF'S "39" SO ADMITTED.

CHECKS TO STOCK BUILDERS
WITH DOCUMENTS ATTACHED
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE

AS PLAINTIFF'S EXHIBIT "39".

Q MR. VEREEN, YOU HAVE TESTIFIED REPEATEDLY THAT YOU WERE THE ONLY ONE WHO PUT ANY MONEY IN THIS COMPANY ALL ALONG AND THAT ELLIS DIDN'T EVER COME UP WITH HIS HALF?

A THAT'S CORRECT.

Q WELL, YOU KNEW HE DIDN'T HAVE ANY MONEY WHEN YOU STARTED THE CORPORATION, DIDN'T YOU?

A I DID NOT KNOW HE DIDN'T HAVE ANY MONEY.

Q I THOUGHT HE OWNED YOU A WHOLE LOT OF MONEY FROM THIS HOUSE CONSTRUCTION THAT HE WOULDN'T PAY YOU?

A THAT'S TRUE. HE DIDN'T HAVE MONEY TO PAY ME THAT SUM OF MONEY. YES, SIR.

Q YOU KNEW HE DIDN'T HAVE THE MONEY TO PUT IN THE CORPORATION, CORRECT?

A THAT IS NOT TRUE.

Q ALL OF THIS ACCOUNTING MESS THAT WE HAVE HERE, THAT WAS BECAUSE -- YOU HAVE THE ACCOUNTING MESS BECAUSE CHECKS WERE BEING PUT IN AND TAKEN OUT BY YOU AND THESE OTHER NAMED DEFENDANTS AND IT'S AN ACCOUNTING NIGHTMARE, ISN'T IT?

A I THINK IT IS AN ACCOUNTING DISTURBANCE.

Q AND IT'S VERY HARD FOR YOU TO FIGURE OUT WHAT YOU DID IN 2003, 4, 5, 6, AND 7?

A IT HAS NOT BEEN, NO, SIR.
Q IN TERMS OF TAKING -- WRITING CHECKS PAYABLE TO ONE COMPANY AND PUTTING THEN INTO ANOTHER, IT'S HARD TO GET ALL THIS STUFF STRAIGHT?
A IT IS NOT. WE HAVE DONE THAT. WE'VE PREPARED THAT FOR YOU.
Q OKAY. OKAY. NOW, GOING INTO 2007, IF YOU LOOK IN YOUR 2007 BOOK. THAT'S EXHIBIT NUMBER "4"?
A OKAY.
Q IF YOU WILL LOOK AT THE INDEX FIRST, SIR, 1 THROUGH 6 OF THESE IN PLAINTIFF'S EXHIBIT NUMBER "4", YOU HAVE ALREADY AGREED TO RE-CLASSIFY THOSE AS PERSONAL EXPENSES, CORRECT?
A NO, SIR.
Q THE PRUDENTIAL INSURANCE?
A I THOUGHT YOU SAID SOMETHING ELSE.
Q REFERENCE NUMBER 1 THROUGH 4?
A I'LL TRY NOT TO BE DUMB.
Q YOU'RE NOT. LIFE INSURANCE ONE AND TWO IS PERSONAL EXPENSES?
A THAT'S CORRECT.
Q ACORN RENTAL EXPENSES DO YOU CHALLENGE?
A ABSOLUTELY.
Q THE SHELL EXPENSES YOU AGREED IS A PERSONAL EXPENSE?

A NO, SIR. I DID. AFTER YESTERDAY -- I WENT BACK AND WENT THROUGH -- WE -- JUST REVIEWING SOME OF THESE INVOICES AND THERE ARE CHARGES THAT WERE NOT MADE BY MY DAUGHTER ...

Q SO YOU HAVE CHANGED YOUR MIND?

A YES, SIR. AND WE -- IT'S IN ALL THAT DOCUMENTATION THAT WE HAVE PREPARED.

Q THE HOMEOWNERS ASSOCIATION EXPENSE OF $1,100.00, IS PERSONAL EXPENSES?

A THAT'S CORRECT.

Q AND DRY CLEANING BILL IS A PERSONAL EXPENSE OF $2,288.90?

A I WENT BACK AND LOOKED AT MY NOTES AS WELL AS MY DRY CLEANING. I REALIZED THAT'S AN ARGUMENT SOMEWHAT. IN THIS COMPANY PRESENTING YOURSELF TO THE PUBLIC, PRESENTING YOURSELF TO CLIENTS, YOU HAD TO BE DRESSED OTHER THAN IN WORK CLOTHES AND BE DIRTY. AND I HAVE ALWAYS -- I'VE ALWAYS HAD MY PANTS AND MY SHIRTS LAUNDERED AND TRIED TO BE PRESENTABLE TO THE PUBLIC. BUT IF THAT IS A PERSONAL EXPENSE THEN I'LL PAID THAT PERSONAL EXPENSE, BUT I ALSO FEEL LIKE IT'S PART OF A PRESENTATION BY A COMPANY.

Q WELL, YOU DIDN'T CHALLENGE SO FAR -- DID YOU AGREE THAT ALL THE DRY CLEANING BILLS WERE

PERSONAL EXPENSES?

A I AGREED TO SOME THINGS YESTERDAY WE'LL PROBABLY GET BACK INTO LATER, BUT I TOLD YOU I WENT BACK LAST NIGHT -- WHEN WE LEFT HERE LAST NIGHT, YOU HAD MY CURIOSITY ABOUT A FEW THINGS, AND SO I WENT BACK AND I WENT THROUGH SOME OF THESE I REFERENCED.

Q ALRIGHT. NUMBER EIGHT IS AMERICAN FAMILY LIFE ONLY TO -- FOR YOUR WIFE, LINDA VEREEN. DO YOU AGREE THAT'S A PERSONAL EXPENSE?

A I DO.

Q AND SAM'S CLUB EXPENSES, I BELIEVE YOU AGREE THAT THOSE ARE PERSONAL EXPENSES?

A I SAID PART OF THAT. YES, SIR. WENT BACK AND LOOKED AT PART OF IT LAST NIGHT. WE'VE IDENTIFIED THOSE IN OUR ACCOUNTING.

Q ALL THE REST OF THOSE EXPENDITURES OVER THERE ARE FOR PARK PLACE, PARKWAY, MS. PERRY, THOSE ARE BASED UPON JOB LEDGERS, CORRECT? THERE IN THE BACK.

A BUT THEY'RE NOT MY JOB. THOSE ARE BILLS THAT A&E DID AND THEN PAID FOR. THEY'VE BEEN REIMBURSED FOR THEM.

Q ALL THE PARK PLACE PROPERTY EXPENDITURES HAVE BEEN PAID FOR?

A IF YOU'LL LOOK IN OUR ACCOUNTING, SIR, WE HAVE ACCOUNTED FOR THAT MONEY.

Q WELL, LET ME ASK YOU SOMETHING ...

A AND YOU SAID MY SISTER, GAIL PERRY, THOSE EXPENSES HERE, THERE IS A CHECK WRITTEN FOR SOME 17 OR $18,000.00, WHATEVER THAT FIGURE WAS, I DON'T REMEMBER, EXACTLY ON GAIL PERRY. SO, THESE THINGS HAVE BEEN PAID BACK AND SOME OF THESE INVOICES -- BUILDINGS THAT -- WENT BACK AND LOOKED AND YOU'VE GOT BACK TO '07. SOME OF THEM WERE RECEIVED FIRST PART OF '08.

Q CORRECT. AND YOU ...

A SO, THEY HAVE BEEN ACCOUNTED FOR. SO, WHAT YOU'RE SAYING IS TO ADMIT THAT ALL THESE THINGS HERE SHOULD BE ON MY SIDE OF THE PAGE. I DON'T AGREE WITH THAT.

Q PARK PLACE PROPERTIES, POINTE MARSH, YOU NEVER SUBMITTED A BILL TO THEM AT ALL, DID YOU, SIR?

A I SUBMITTED PAYMENT TO A&E.

Q YOU NEVER SENT A CHECK FROM PARK PLACE PROPERTIES TO A&E FOR PAYMENT OF A BILL YOU SENT TO THEM?

A I DID NOT EVER SUBMIT A BILL OR INVOICE, BUT I SUBMITTED PAYMENTS -- PAYMENTS IN EXCESS, IN EXCESS, OF WHAT WAS BILLED TO PARK PLACE

PROPERTIES.

Q PARKWAY OFFICES IS ON HERE. YOU NEVER SUBMITTED AN INVOICE ON PARKWAY OFFICES AS SHOWN ON THESE EXPENDITURES AND I BELIEVE YOUR TESTIMONY IS YOU PAID MORE THAN YOU OWE, CORRECT?

A I DIDN'T SAY THAT ABOUT PARKWAY OFFICES. LET ME TELL YOU ABOUT PARKWAY OFFICES. WHAT I DID LAST NIGHT, I WENT BACK AND LOOKED FROM 2004 THROUGH '07 WELL, ACTUALLY, '08. I WENT BACK AND PULLED OUT INVOICES THAT MAY HAVE BEEN PERTAINING TO BASEBOARD, DOORS, SHEETROCK, AND I PICKED OUT A PERIOD OF TIME WHERE I COULD IDENTIFY EXACTLY THAT PERIOD OF TIME THAT WORK WOULD HAVE BEEN DONE ON THE OFFICES. I DID SPREAD IT OUT OVER 18 MONTHS. IT DIDN'T TAKE US 18 MONTHS TO DO THAT LITTLE BIT OF WORK WE DID AT PARKWAY OFFICES. I SPREAD THAT OVER 18 MONTHS. I PULLED OUT THOSE NUMBERS AND IT'S LESS THAN HALF OF WHAT YOU'RE SAYING IS DUE ON PARKWAY OFFICES. I DID THAT LAST NIGHT AND SO, YOU'RE ASKING ME THOSE QUESTIONS AND I AM TELLING YOU THAT TOTAL AMOUNT OF MONEY -- I GO BACK TO MY DEPOSITION, AND I GO BACK TO MY STATEMENT YESTERDAY, THAT A LOT OF MATERIALS AND A LOT TIME, LABOR TIME, CHARGES OR TIMES THAT THE GUYS ARE ACTUALLY

WORKING AT THE OFFICE. AND WHEN I SAY "OFFICE" THE SHOP AREA, THAT ARE JOB-RELATED, THE ERROR WAS MYSELF AND ELLIS AS WELL. I DID NOT POST THOSE JOBS AND THOSE EXPENSES TO JOBS AS WE SHOULD HAVE. IT SHOWS UP ON OUR LEDGER AS A SHOP OR OFFICE EXPENSE AND I'VE STATED THAT, AND I ALSO STATED YESTERDAY, I ACTUALLY WENT BACK AND PULLED UP TIME CARDS FROM ELLIS, GOSH, 25 YEARS AGO THAT SHOWED -- THAT WERE NOT TRUE 25 YEARS AGO. BACK IN THE '90S THAT SHOWED HIS TIME CARD REFLECTING, "SHOP" REPEATEDLY, "SHOP." WE WAS AT WORK DOING LABOR AND TIME FOR THEIR JOBS, BILLING IT OF THE SHOP. ALL MY EMPLOYEES DO THE SAME THING. AND I THINK I STATED YESTERDAY THAT WE WOULD ALWAYS HAVE TO FIGURE OUT SOME KIND OF PERCENTAGE OF HOW WE WOULD DISBURSE THOSE EXPENSES TO JOBS BECAUSE WE DIDN'T HAVE CORRECT IDENTIFICATION AND I DONE THE EXACT SAME THING HERE. I GAVE A 18 MONTH WINDOW.

Q IF YOU WILL LOOK BACK PAST "26" THERE ARE TWO CHECKS. WE HAVE ALREADY WENT THROUGH THE $10,000.00 CHECK FROM MAULDIN, AND WE WENT THROUGH THE WHITLEY CHECK. WE WENT THROUGH -- THE FOURTH ONE IS A CHECK FROM WILLOUGHBY PLACE

TO A&E DATED 4/14/06 FOR 26,171 AND A CHECK FROM WILLOUGHBY FOR A&E FOR $31,079.00 DATED 4/12/06. DO YOU SEE THAT? THESE TWO CHECKS?

A YES, I DO.

LETTER FROM A&E ABOUT WORKERS' COMP WITH CHECKS MARKED FOR IDENTIFICATION AND INTRODUCED INTO EVIDENCE AS PLAINTIFF'S EXHIBIT "26".

Q NOW, YOU RECEIVED THOSE CHECKS FROM WILLOUGHBY PLACE, DID YOU NOT?

A WE DID.

Q SIR, WHERE DID YOU DEPOSIT THOSE CHECKS?

A THOSE CHECKS WERE DEPOSITED INTO THE PARK PLACE PROPERTIES.

Q $57,250.00.

A THAT'S CORRECT.

Q WHY DID YOU DEPOSIT THOSE CHECKS INTO PARK PLACE PROPERTIES RATHER THAN WHO THEY WERE MADE PAYABLE TO, A&E CONSTRUCTION?

A MR. DURANT, I THINK WHAT I TESTIFIED TO YESTERDAY IS THE SAME REMARK TODAY.

Q I DIDN'T ASK YOU ABOUT THOSE CHECKS?

A I'M TRYING TO GIVE YOU AN ANSWER.

Q OKAY.

A I'M TRYING TO SEE IF THAT'S MY HAND WRITING, BUT I NOT SURE. I'M TRYING TO SEE IF THAT'S -- I AM NOT SURE. I AM NOT SURE, MR. DURANT, BUT I DO KNOW FOR A FACT THAT WE HAVE ACCOUNTED FOR IT ON OUR PAPERWORK THAT WE HAVE PREPARED FOR YOU AND WAS SENT TO YOU. A FULL ACCOUNTING OF ALL THAT SHOWING THOSE DEPOSITS AND IF THAT MONEY WOULD HAVE SHOWN UP AS A WILLOUGHBY PLACE JOB, WE WOULD HAVE PUT IT BACK IN A&E. WE HAVE DONE THAT ACCOUNTING FOR YOU.

Q LET ME ASK YOU, SIR, DID YOU TELL MR. SMITH THAT YOU TOOK THESE TWO CHECKS FOR $57,250.00 PAYABLE TO A&E? HE WAS WORKING ON THAT JOB, WASN'T HE? MR. SMITH WORKED ON IT. DID YOU TELL HIM ...

A HE WAS WORKING ON IT. WELL, IN '06 HE WAS PROBABLY MORE INVOLVED IN TAHITIAN PRINCESS, NOT TAHITIAN PRINCESS, TAHITIAN PEARL.

Q DID YOU TELL HIM THAT YOU TOOK THIS MONEY AND PUT IT IN PARK PLACE?

A I DID NOT.

Q DO YOU THINK YOU SHOULD HAVE?

A I PROBABLY SHOULD HAVE I DONE THAT. ABSOLUTELY, I WOULD HAVE DONE THAT TODAY.

Q LET ME ASK YOU, SIR, WHERE ON THE BOOKS AND THESE COMPUTERIZED RECORDS THAT YOU HAVE, WHERE

DOES IT SHOW THAT THIS MONEY WAS RECEIVED AS PAYMENT BY A&E?

A I DON'T KNOW ABOUT THAT, SIR. I'M NOT SURE IF WE CAN GIVE THAT TO YOU TODAY.

Q IF YOU WENT TO THE ...

A I ASKED YOU, AND I THINK Y'ALL MADE A COMMENT YESTERDAY, THAT Y'ALL HAVE A DISK OF OURS. WE WOULD LIKE TO HAVE A COPY OF THAT. WE HAVE ASKED FOR IT SEVERAL TIMES.

Q WE HAVE ALWAYS BEEN WILLING TO GIVE IT TO YOU.

A WELL, WE WOULD LIKE FOR YOU TO COME BACK AND INSTALL IT ON OUR COMPUTER, SIR.

Q ON YOUR JOB LEDGER, I WANT TO KNOW IF A PAYMENT WAS RECEIVED WAS IT PUT IN JOB LEDGER AS A PAYMENT?

A IT SHOULD BE, YES, SIR.

Q AND THE REASON THIS BILL WAS SENT, IS YOU SENT A BILL TO WILLOUGHBY PLACE FOR THESE CHARGES, DID YOU NOT?

A I'M SURE I DID.

Q SO, IF YOU SENT A BILL FOR IT AND YOU DEPOSITED IT INTO YOUR ACCOUNT, IT'S NOT GOING TO BE ENTERED AS A PAYMENT ON YOUR JOB LEDGER, IS IT?

A I CAN'T ANSWER THAT QUESTION.

Q AND I TAKE IT YOU TOLD THE BOOKKEEPER THAT YOU

DID THIS, MRS. DREWETT?

A I'M NOT SURE. I JUST STATED, I'M NOT SURE I DID THAT. SEVERAL YOU SHOWED ME YESTERDAY, I DIDN'T FILL THOSE DEPOSITS OUT, CARRIE DID.

Q ARE YOU TELLING ME YOU DIDN'T KNOW IT WAS DONE?

A I DIDN'T SAY THAT. YOU ASKED ME, DID I TELL THE BOOKKEEPER. I AM SURE THAT EVERY TRANSACTION I HAVE DONE, I USUALLY TRY TO MAKE AWARE CARRIE KNOWS WHAT I'VE DONE.

Q WHERE DO YOU KEEP THESE RECORDS OF THESE CHECKS YOU DEPOSIT IN PARK PLACE PAYABLE TO A&E? WHERE DO YOU KEEP THEM?

A THERE IN THE JOB FILE. I MEAN, IN THE FILE CABINET.

Q I ASKED YOU IN MY REQUEST FOR PRODUCTION FOR COPIES OF ALL THE CHECKS AND I DIDN'T RECEIVE ANY OF THEM.

A I DON'T BELIEVE THAT, SIR.

Q I ASKED YOU IN YOUR INITIAL INTERROGATORIES, DID YOU EVER TAKE ANY CHECKS PAYABLE TO A&E AND DEPOSIT THEM IN AN ACCOUNT OTHER THAN A&E? AND YOUR ANSWER WAS THAT YOU DIDN'T.

A I DON'T THINK I SAID THAT, SIR.

MS. COOK: YOUR HONOR, HE IS MISCHARACTERIZING, I MEAN, I KNOW HE'S

A HOSTILE WITNESS.

JUDGE HOWE: LET'S PULL THEM OUT AND SEE.

Q LET'S JUST GO THROUGH THESE INTERROGATORY ANSWERS. IF YOU WOULD, JUST GO THROUGH THEM. I ASSUME THAT THESE ARE YOUR ANSWERS TO THE INTERROGATORIES. YOUR ATTORNEY CAN'T ANSWER THESE QUESTIONS THAT WERE ASKED BY THE PLAINTIFF. WHICH WERE DECEMBER THE 11TH, 2009?

MS. COOK: WE WILL STIPULATE THAT THESE WERE MR. VEREEN AND HIS VARIOUS COMPANIES ANSWERS TO INTERROGATORIES.

JUDGE HOWE: THANK YOU.

Q LOOK AT NUMBER NINE. I BELIEVE I ASKED AS YOU TO, "PLEASE INDICATE IF PARK PLACE PROPERTIES OF MYRTLE BEACH, LLC HAS OR HAD ANY AGREEMENT WITH THE PLAINTIFF, A&E, WHICH REQUIRED A&E TO MAKE PAYMENTS TO PARK PLACE OF ANY FUNDS FROM THE ACCOUNTS FOR A&E FOR ANY REASON. IF SO, PLEASE EXPLAIN THE NATURE OF THE AGREEMENT AND THE INDIVIDUALS WHO MADE THE AGREEMENT ON BEHALF OF PARK PLACE AND A&E.".

A "PAYMENT BY A&E TO PARK PLACE PROPERTIES OF MYRTLE BEACH, LLC WERE MADE FOR THE PURPOSES OF REIMBURSING PARK PLACE FOR PERIODIC CAPITAL

CONTRIBUTION MADE BY PARK PLACE TO A&E ON BEHALF OF DEFENDANT VEREEN, WHICH WERE NECESSARY TO MEET THE FINANCIAL OBLIGATIONS OF A&E. THE REIMBURSEMENT WAS MADE TO PARK PLACE BY A&E WERE MADE WITH FULL KNOWLEDGE AND APPROVAL OF PLAINTIFF SMITH."

Q WAS IT YOUR TESTIMONY YESTERDAY THAT MR. SMITH DID NOT KNOW ABOUT YOU WRITING THE CHECKS TO PARK PLACE PROPERTIES OUT OF THE ACCOUNT?

A I DID NOT SAY THAT.

Q WHAT DID YOU SAY?

A I SAID YESTERDAY THAT MR. SMITH KNEW. I DIDN'T SAY ALL OCCASIONS BECAUSE A LOT OF THEM BEING MADE. HE WASN'T AWARE ALL THE TIME THE DEPOSITS I PUT INTO A&E BY PARK PLACE.

JUDGE HOWE: I THOUGHT YOU JUST TESTIFIED 15 MINUTES AGO, SO I NEED TO GET THIS RIGHT TOO. THAT CHECKS WERE MADE TO PARK PLACE FROM A&E THAT SHOULD NOT HAVE BEEN, DID I WRITE THAT DOWN WRONG, MR. VEREEN?

A YES, MA'AM. I DON'T THINK I SAID THAT.

JUDGE HOWE: CHECKS FROM WILLOUGHBY WERE DEPOSITED INTO PARK PLACE THAT WERE MADE PAYABLE TO A&E I THOUGHT YOU

SAID THAT MR. SMITH, DID KNOW THAT AND THAT YOU PROBABLY SHOULD HAVE TOLD MR. SMITH THAT, WAS THAT NOT YOUR TESTIMONY?

A I THINK WHAT I SAY -- AND MAYBE I SAID -- I DON'T -- YOUR HONOR, WHAT I THINK I SAID ...

JUDGE HOWE: THAT WAS THE TWO CHECKS?

A YES, MA'AM. I THINK MR. DURANT ASKED ME IF I HAD TOLD MR. SMITH AND I SAID, "NO, I DID NOT."

JUDGE HOWE: AND YOU PROBABLY SHOULD HAVE.

A I PROBABLY SHOULD HAVE TOLD HIM, ABSOLUTELY, BUT I DID NOT GO ON TO SAY THAT ALSO -- I THINK I DIDN'T SAY THAT PARK PLACE PROPERTIES WAS PERIODICALLY MAKING DEPOSITS INTO A&E TO COVER EXPENSES, AND I THINK I FURTHER WENT ON TO SAY THAT IF YOU LOOK AT THE FULL ACCOUNTING THAT WE HAVE DONE, WITH ALL DEPOSITS AND ALL PAYMENTS MADE BY A&E, MADE BY WHATEVER ENTITY IT WAS, YOU WILL FIND THAT ALL THOSE PARTICULAR CHECKS ARE SHOWN AS PAYMENTS RECEIVED BY PARK PLACE PROPERTIES AND HOW THAT MONEY WAS DISBURSED. IT WILL SHOW THAT WE'VE PROVIDED ALL THOSE COPIES OF CHECKS, FRONTS AND BACKS. WE'VE PROVIDED ALL

THE INVOICES, ALL THE PAYMENTS, ALL THE THINGS THAT PARK PLACE PROPERTY HAVE PAID FOR ON BEHALF OF A&E AND WE'VE DONE THAT AND I THINK THAT ANYWAY IT WILL SHOW UP ON THAT ACCOUNTING.

Q LET'S GO TO 10, AND MY QUESTION WAS, "PLEASE INDICATE THE REASON A&E MADE EXPENDITURES AS ALLEGED IN THE COMPLAINT FOR AND ON BEHALF OF POINTE MARSH DEVELOPMENT AND INDICATED WHO ON BEHALF OF A&E AND WHO ON BEHALF OF THE OWNERS OF SUCH DEVELOPMENT REQUESTED OR AUTHORIZED THE EXPENDITURES TO BE MADE. AS TO SUCH, EXPENDITURES INDICATE WHO HAS POSSESSION OF THE RECORDS SUPPORTING THE PAYMENTS MADE BY THE PLAINTIFF, A&E AND DETAIL ANY PAYMENTS MADE BY THE OWNERS OF POINTE MARSH TO REPAY THE PLAINTIFF, A&E FOR SUCH EXPENDITURES." WHAT WAS YOUR ANSWER?

A THE ANSWER IS, "THESE DEFENDANTS HAVE NO KNOWLEDGE OF THE BASIC REASONS FOR ANY ALLOCATIONS PLAINTIFF SET FORTH IN THEIR COMPLAINT. DEFENDANTS HAVE FILED COUNTERCLAIMS AND THIRD-PARTY CLAIMS TO THE EXTENT PLAINTIFFS ARE TO ASKED SAID QUESTIONS WITH REGARD TO THE COUNTERCLAIMS AND THIRD-PARTY CLAIMS." THE ANSWER IS AS FOLLOWS: "PAYMENTS BY A&E ON

BEHALF OF THE POINTE MARSH DEVELOPMENT PROJECT WERE MADE FOR THE PURPOSE OR CONSTRUCTING SPECIFIC PURPOSES OF THAT PROJECT. THE OWNER OF THE POINTE MARSH DEVELOPMENT PROJECT WAS PARK PLACE PROPERTIES OF MYRTLE BEACH AND SUCH PAYMENTS ON BEHALF OF THE POINTE MARSH PROJECT AND PARK PLACE WERE AUTHORIZED BY ARTHUR W. VEREEN AS A MEMBER OR THE DEVELOPER OF PARK PLACE PROPERTY. AS THE FULL ACCOUNTING OF A&E PERFORMED WILL SHOW, ANY AND ALL, A&E EXPENDITURES MADE FOR POINTE MARSH PROJECT. PARK PLACE PROPERTIES WERE MADE IN THE FORM OF REIMBURSEMENTS FOR CAPITAL CONTRIBUTIONS MADE BY PARK PLACE PROPERTIES TO A&E ON BEHALF OF THE DEFENDANT VEREEN TO MEET THE FINANCIAL OBLIGATIONS OF A&E INCLUDING PAYMENTS TO PLAINTIFF, ELLIS SMITH, EES CONSTRUCTION AND CONSULTING, WORKERS' COMPENSATION, GENERAL OBLIGATIONS, INSURANCE PREMIUMS AND OTHER EXPENSES AND A&E PAYMENTS WERE MADE ON BEHALF OF THE POINTE MARSH PROJECT WERE MADE WITH FULL KNOWLEDGE OF PLAINTIFF SMITH."

Q SO, IT WAS YOUR STATEMENT THEN THAT THE PAYMENTS MADE FOR A&E TO POINTE MARSH AND BY WAY OF CHECKS, WERE MADE WITH THE KNOWLEDGE OF MR.

SMITH? I THOUGHT YOUR TESTIMONY YESTERDAY WAS THAT YOU -- A&E MADE PAYMENTS TO POINTE MARSH AND MR. SMITH DID NOT KNOW THAT YOU WERE WRITING THOSE CHECKS?

A I DON'T THINK I -- I DON'T REMEMBER A&E WRITING CHECKS TO POINTE MARSH SPECIFICALLY. POINTE MARSH -- YOU KNOW, POINTE MARSH IS NOT EVEN A ENTITY SO ...

Q WELL, PARK PLACE PROPERTIES?

A WELL, PARK PLACE PROPERTIES IS A DIFFERENT CHARACTER. THOSE WERE REIMBURSEMENTS AND I STATED THAT. THOSE REIMBURSEMENTS -- I THINK THIS WHOLE -- I JUST READ THE COLUMN -- THIS PARAGRAPH THAT WAS TALKING ABOUT FORMS OF REIMBURSEMENTS FOR CAPITAL CONTRIBUTION MADE BY PARK PLACE PROPERTIES TO A&E ON BEHALF -- SO, THAT'S WHAT I DID. MADE REIMBURSEMENTS.

Q LET'S GO TO NUMBER 11. "PLEASE INDICATE WHO AUTHORIZED THE EXPENDITURE MADE FROM THE ACCOUNT OF A&E ON BEHALF OF PARKWAY OFFICES AS ALLEGED IN THE COMPLAINT AND WHO REQUESTED ON BEHALF OF PARKWAY OFFICES THAT THESE EXPENDITURES BE MADE FOR THE ACCOUNTS OF A&E AND WHO DIRECTED THAT THE PAYMENTS BE MADE BY A&E FOR THESE CORPORATE CHECKING ACCOUNTS." AND YOUR ANSWER?

A YOU WANT ME TO READ THE WHOLE THING?

Q SURE.

A "THESE DEFENDANTS HAVE NO KNOWLEDGE OF THE BASIC REASONS FOR ANY ALLOCATIONS PLAINTIFF SET FORTH IN THEIR COMPLAINT. DEFENDANTS HAVE FILED COUNTERCLAIMS AND THIRD-PARTY CLAIMS AND TO THE EXTENT PLAINTIFFS ARE ATTEMPTING TO ASK SAID QUESTIONS WITH REGARD TO THE COUNTERCLAIM AND THIRD-PARTY CLAIMS." THE ANSWER IS AS FOLLOWS, "PAYMENTS BY A&E TO PARKWAY OFFICES, LLC, THEREAFTER PARKWAY OFFICES, WERE MADE FOR THE PURPOSES OF PAYING RENT FOR A&E'S OFFICES AND STORAGE AND FOR THE PURPOSES OF REIMBURSING PARKWAY OFFICES FOR EXPENDITURES MADE BY OR ON BEHALF OF A&E AND REPRESENT LABOR, MATERIALS AND EXPENSES THAT SHOULD HAVE BEEN APPLIED TO SPECIFIC JOBS OF A&E. SAID PAYMENTS WERE AUTHORIZED BY DEFENDANT, VEREEN AS TREASURER OF A&E AND MADE WITH THE KNOWLEDGE AND APPROVAL OF PLAINTIFF, SMITH. UPON INFORMATION AND BELIEF $12,050.00 HAD BEEN PAID IN RENT TO PARKWAY OFFICES OVER SIX YEARS BY A&E FROM JANUARY THE 1ST, 2004 THROUGH DECEMBER 31ST, 2009. ADDITIONAL RENTS ARE DUE TO THE DEFENDANT'S PARKWAY OFFICE FROM A&E AND THE AMOUNTS BEING

UNDETERMINED. DEFENDANTS FURTHER ANSWER THAT PROCESS TO DETERMINE LABOR AND MATERIALS FOR EXPENSES WERE INCORRECTLY BILLED TO PARKWAY OFFICE ACCOUNT. THEY SHOULD HAVE BEEN BILLED TO A&E JOB ACCOUNTS AS ONGOING, BUT INCOMPLETE FROM THE RECORDS OF A&E, SOME WERE PREFORMED AT THE OFFICE OF A&E. MATERIALS DELIVERED TO THE OFFICE A&E RENTED FROM PARKWAY OFFICE WERE IMPROPERLY CODED AS EXPENSES OF PARKWAY OFFICES, BUT NEED TO BE APPLIED TO PROPER JOBS FOR A&E ON THE A&E EXPENSES."

Q RIGHT. NUMBER 12 ASKED YOU, "PLEASE INDICATE IF ANY FUNDS FROM THE ACCOUNT OF A&E WERE SPENT FOR LABOR AND MATERIALS ON THE PERSONAL HOMES OF THE DEFENDANT, VEREEN, (OR THAT MAY BE HELD IN THE MARITAL TRUST) IN MURRELLS INLET AND WHETHER OR NOT SUCH EXTENSIONS WERE REIMBURSED OR PAID BACK TO A&E? IF SUCH EXPENDITURES WERE MADE FOR LABOR OR MATERIALS WERE FURNISHED, PLEASE INDICATE WHO DIRECTED THAT THE EXPENDITURES BE PAID OR THAT THE LABOR AND MATERIALS BE FURNISHED BY THE PLAINTIFF, A&E. AND WHO REQUESTED SUCH PAYMENT OF LABOR AND MATERIALS BE FURNISHED TO DEFENDANT, VEREEN AND DIRECTED THAT THE PAYMENTS BE MADE BY A&E. AND PROVIDE A

DETAILED LIST OF THE LABOR, MATERIALS AND EQUIPMENT UTILIZED AND/OR PAID BY THE PLAINTIFF, A&E. IF ANY OF SUCH LABOR, MATERIALS WERE REIMBURSED TO A&E, PLEASE PROVIDE A DETAILED EXPLANATION AND A COPY OF THE CHECK NUMBER AND ACCOUNT FOR ANY PAYMENT MADE TO REIMBURSE A&E FOR SUCH LABOR AND MATERIALS." AND YOUR ANSWER?

A "PAYMENTS BY A&E FOR LABOR AND MATERIALS ON THE PERSONAL HOME OF DEFENDANT, VEREEN IN MURRELLS INLET WERE MADE ON BEHALF OF THE A&E CONSTRUCTION PROJECT, AND APPROVED AND AUTHORIZED BY DEFENDANT, VEREEN AS TREASURER OF A&E. ANY AND ALL PAYMENTS BY A&E HAVE BEEN FULLY REPAID BY DEFENDANT, VEREEN, EITHER IN THE FORM OF CAPITAL CONTRIBUTIONS AND/OR DIRECT PAYMENTS AS WILL BE SHOWN BY THE FULL ACCOUNTING. THE A&E ACCOUNTS WHICH ARE CURRENTLY BEING PREFORMED. PROOF OF THIS WILL BE ILLUSTRATED THROUGH TESTIMONY OF RICHARD CRUMPLER AND/OR BURT HUGGINS AT SMITH SAPP BOOKHOUT CRUMPLER & CALLIHAN AND THE CURRENT ACCOUNTING BEING PERFORMED. THE PAYMENTS MADE FOR LABOR AND MATERIALS ON BEHALF OF THE PERSONAL HOME OF DEFENDANT, VEREEN WERE MADE WITH FULL KNOWLEDGE AND APPROVAL OF PLAINTIFF,

SMITH. PAYMENTS WERE SIMILAR TO PAYMENTS MADE FOR LABOR AND MATERIALS FOR THE IMPROVEMENTS AND REPAIRS TO PLAINTIFF, SMITH'S PERSONAL HOME(S)."

Q LET'S GO ON DOWN. I HATE TO MAKE YOU READ ALL THIS, BUT NUMBER 1" AS TO EXPENDITURES MADE FROM THE CHECKING ACCOUNT TO A&E TO ARTHUR VEREEN CONSTRUCTION. PLEASE INDICATE WHO DIRECTED SUCH EXPENDITURES BE PAID BY A&E AND WHO REQUESTED THAT THE PAYMENTS BE MADE ON BEHALF OF ARTHUR VEREEN CONSTRUCTION. AS TO ANY OF SUCH EXPENDITURES, PLEASE STATE THE REASON FOR EACH EXPENDITURES, THE INVOICE OR CONTRACT FOR SUCH EXPENSES, AND IDENTIFY ANY SOURCE OF REPAYMENT TO A&E FOR SUCH DISBURSEMENTS FROM ANY SOURCE." AND YOUR ANSWER?

A "PAYMENTS BY A&E TO ARTHUR VEREEN CONSTRUCTION COMPANY, INC. (HEREINAFTER REFERRED TO AS "AVCC"), WERE AUTHORIZED BY WAYNE VEREEN AND WERE MADE FOR THE PURPOSES OF REIMBURSING AVCC FOR INITIAL CAPITAL CONTRIBUTIONS AND ADDITIONAL CAPITAL CONTRIBUTIONS TO A&E ON BEHALF OF DEFENDANT, VEREEN. SOME OF THE PAYMENTS WERE FOR THE PURPOSES OF REIMBURSING AVCC FOR EXPENSES PAID BY ACVV ON JOBS TRANSFERRED TO A&E AFTER DECEMBER 31ST, 2003, FOR WHICH PAYMENT FOR

THOSE EXPENSES AND PROFITS WERE RECEIVED BY A&E. THOSE JOBS INCLUDE, BUT ARE NOT LIMITED TO, WILLOUGHBY PLACE CONDOMINIUM, TAHITIAN PRINCESS CONDOMINIUM, DR. LALE'S MEDIAL OFFICE UP-FIT, PLANTATION LAKES SINGLE-FAMILY RESIDENCES, BEACH DUNES HOTEL REMODEL. ANY SUCH PAYMENTS WERE AUTHORIZED BY DEFENDANT, VEREEN, AS TREASURER OF A&E AND AS PRINCIPAL OF AVC. THESE PAYMENTS WERE MADE WITH FULL KNOWLEDGE AND APPROVAL OF PLAINTIFF, SMITH."

Q DIDN'T YOU TESTIFY EARLIER THAT THE CHECKS THAT YOU WROTE FROM A&E TO ARTHUR VEREEN CONSTRUCTION WERE MADE WITHOUT THE KNOWLEDGE OR CONSENT OF MR. SMITH?

A I THINK I TESTIFIED THAT NOT ALL CHECKS -- NOT ALL CHECKS I DISCUSSED WITH MR. SMITH.

Q THAT LAST SENTENCE IS, "THESE PAYMENTS WERE MADE WITH THE FULL KNOWLEDGE AND APPROVALS OF PLAINTIFF SMITH."?

A IT DOES.

Q THAT'S INCORRECT, ISN'T IT?

A I'M NOT SURE ABOUT ARTHUR VEREEN CONSTRUCTION COMPANY. IT MAY NOT HAVE BEEN 100 PERCENT DONE, BUT I BACK UP ON THAT. HE KNEW THAT I WAS PAYING THE ENGINEER AND ARCHITECT/DESIGNER AND I

WAS PAYING THOSE EXPENSES FROM ARTHUR VEREEN CONSTRUCTION COMPANY OR ARTHUR VEREEN CONSTRUCTION COMPANY WAS PAYING THOSE OR ARTHUR W. VEREEN WAS PAYING THOSE. PARK PLACE PROPERTY -- HE KNEW THAT WE WERE PAYING THOSE AND HE KNEW I WAS GOING TO REIMBURSE FOR THEM. SO, I CAN SAY THAT WHETHER OR NOT I SPECIFICALLY SAID, "I'M WRITING THIS CHECK BACK.", HE KNEW I WAS GOING TO GET REIMBURSED.

Q YOUR ANSWER SAYS THAT YOU WERE TO GET REIMBURSED FOR WILLOUGHBY PLACE CONDOMINIUMS, BUT YOU ALREADY TOOK SEVERAL CHECKS PAYABLE TO A&E OR FOR THE A&E WORK AND DEPOSITED THEM INTO ARTHUR VEREEN CONSTRUCTION, DIDN'T YOU?

A WHAT PERIOD OF TIME, SIR?

Q IN 2004. WE HAVE DISCUSSED THEM. THE CHECKS THAT THE FIRST DRAW REQUESTS WERE DEPOSITED BY YOU ...

A WHAT IS THE DIFFERENCE? THIS PARAGRAPH SAYS THAT I WROTE THOSE CHECKS. I'M AGREEING TO THAT. AND OUR ACCOUNTING HAS AGREED TO THAT AND OUR ACCOUNTING HAD SHOWN THOSE CHECKS THAT ARTHUR VEREEN CONSTRUCTION COMPANY, ME, PARK PLACE PROPERTIES, WHOEVER IT IS, HAS RECEIVED FROM A&E. IT ALSO REFLECTS THE DEPOSITS OUT OF

THE SAME ENTITIES THAT HAVE BEEN PUT INTO A&E AND THE EXPENSES THAT THOSE ENTITIES PAID ON BEHALF OF A&E. WE HAVE DONE ALL THAT ACCOUNTING AND WE'VE OFFERED ALL THAT INFORMATION TO YOU. ALL THOSE CHECKS, ALL THAT ACCOUNTING TO YOU AND YOU'RE STILL REFUSING TO SIT DOWN AND LOOK AT IT.

Q LET ME ASK YOU ...

A WE HAVE TRIED TO DO THAT.

Q ARE YOU FINISHED?

A YES.

Q THE FIRST THING YOU HAD WAS A HUNDRED THIRTEEN THOUSAND SOME ODD DOLLARS WORTH OF CHECKS FROM A&E WRITTEN TO ARTHUR VEREEN CONSTRUCTION AND THEN YOU HAD CHECKS FOR CONSTRUCTION THAT WERE WRITTEN TO THE COMPANY THAT YOU DEPOSITED INTO ARTHUR VEREEN. THOSE WERE TWO DIFFERENT THINGS, CORRECT?

A NO, SIR. I'M NOT FOLLOWING.

Q YOU'VE GOT CHECKS FROM A&E DIRECTLY INTO ARTHUR VEREEN CONSTRUCTION, DID YOU NOT?

A WE HAVE GOT SOME, YES, SIR. AND WE'VE ACCOUNTED FOR THOSE.

Q AND YOU GOT CHECKS THAT WERE PAYABLE BY WILLOUGHBY PLACE FOR CONSTRUCTION ON WILLOUGHBY

PLACE THAT WERE DEPOSITED INTO ARTHUR VEREEN CONSTRUCTION?

A WE HAVE, YES, SIR. AND THOSE HAVE ALL BEEN ACCOUNTED FOR.

Q ALRIGHT. IT SAYS RIGHT HERE THAT YOU ARE REIMBURSING ARTHUR VEREEN CONSTRUCTION FOR PLANTATION LAKES SINGLE-FAMILY RESIDENCES?

A THAT'S CORRECT.

Q PLANTATIONS LAKES SINGLE-FAMILY RESIDENCE WAS YOUR HOUSE, WAS IT NOT? YOU OWED THE LOT?

A IT'S ON THE A&E BOOKS.

Q CORRECT.

A IT'S AN A&E JOB.

Q IT WAS A A&E JOB, BUT YOU OWNED THE HOUSE, DID YOU NOT, SIR? YOU OWNED THE LOT?

A I DID OWN THE LOT.

Q YOU GOT THE CONSTRUCTION LOAN?

A WHO GOT THE MONEY?

Q THE CONSTRUCTION LOAN?

A NO.

Q WHO GOT PAID -- DID A&E RECEIVE A CHECK? DID A&E RECEIVE PAYMENT?

A WELL, AT WHAT TIME.

Q THE DAY IT CLOSED. DID A&E GET PAYMENT THE DAY IT CLOSED.

A I GUESS.
Q I BETTER ASK THE QUESTION RATHER THAN YOU, SIR.
A OKAY. I APOLOGIZE.
Q THE $102,000.00 IN '05 WAS BOOKED ON THE INCOME TAX RETURNS AS A LOAN FROM YOU. SO, THEY DID NOT GET THE MONEY, IS THAT CORRECT?
A NO, SIR. IT'S NOT. IF YOU'LL GO LOOK AT OUR ACCOUNTING AND LOOK AT THAT LEDGER, IT SHOWS -- EVEN SUSAN'S ACCOUNTING, IT SHOWS THAT, THAT PAYMENT WAS RECEIVED. IF YOU GO LOOK THROUGH ALL OF OUR ACCOUNTING, WE HAVE TRIED TO MAKE AVAILABLE TO YOU AND YOU STILL REFUSE TO LOOK AT IT. IT WILL SHOW EVERY CHECK, EVERY DEPOSIT, FROM WHATEVER ENTITY, WHATEVER EXPENSE THE PAPER TRAIL IS THERE, AND THAT IS ALL WE'VE ASKED YOU TO DO IS SIT DOWN AND LOOK AT THAT.
Q WELL, WHY WOULD A&E OWE ARTHUR VEREEN CONSTRUCTION FOR MONEY THAT WAS PAID FOR CONSTRUCTION ON THE PLANTATION LAKES?
A I THINK I HAVE --
Q THAT'S YOUR COMPANY, ISN'T IT, ARTHUR VEREEN CONSTRUCTION?
A SIR, THE PERMIT WAS PULLED IN PLANTATION LAKES.
Q YOU TELL ME?

A A&E, I DID.
Q YOU WROTE CHECKS FROM ARTHUR VEREEN CONSTRUCTION FOR THAT JOB?
A I DID.
Q WHY DIDN'T YOU PAY YOURSELF BACK? IT'S YOUR HOUSE YOU HAD THE CONSTRUCTION LOAN ON?
A I SHOULD HAVE, SIR. I SHOULD HAVE AND I APPRECIATE YOU REMINDING ME OF THAT. THE POINT OF THE MATTER IS, IS THAT A&E HAS RECEIVED A CHECK ON PLANTATION LAKES.
Q LET'S GO TO NUMBER 14. "PLEASE STATE THE REASON THAT A&E AND CHECKS SIGNED BY DEFENDANT, A. W. VEREEN MADE PAYMENTS TO CAROLINA FIRST IN AN AMOUNT EXCEEDING $42,000.00 AS ALLEGED IN THE COMPLAINT, STATING: (A) THAT THE BUSINESS PURPOSE OF THE EXPENDITURE (B) THE PERSON THAT AUTHORIZED THE EXPENDITURE ON BEHALF OF A&E (C) THE REASON FOR THE PAYMENT (D) THE INVOICE SUPPORTING THE PAYMENT (E) ANY EVIDENCE OF REPAYMENT TO THE PLAINTIFF, A&E, OF SUCH AMOUNTS FROM ANY SOURCE (F) THE CORPORATE AUTHORIZATION FROM A&E THAT SUPPORTED YOUR ACTION IN MAKING THIS PAYMENT." AND YOUR ANSWER?
A IT SAYS, "DEFENDANTS HAVE NO KNOWLEDGE OF THE BASIS OF THE REASONS FOR ANY ALLEGATIONS MADE BY

PLAINTIFFS IN THEIR COMPLAINTS AND DO NOT ADMIT THAT AMOUNTS EXCEEDING $42,000.00 WERE MADE TO CAROLINA FIRST. NOTWITHSTANDING THE ABOVE, PLAINTIFF, SMITH AND DEFENDANT, VEREEN AUTHORIZED PAYMENTS FOR EXPENSES INCURRED BY A&E. RECORDS HAVE PREVIOUSLY BEEN PROVIDED AND ADDITIONAL DOCUMENTS, UPON INFORMATION AND BELIEF, MAY BE WITH PARTIES' ACCOUNTANTS AND/OR CAROLINA FIRST BANK. UPON INFORMATION AND BELIEF, PAYMENTS MADE BY A&E TO CAROLINA FIRST BANK, IF ANY, WERE MADE FOR MATERIALS PURCHASED BY A&E AND DELIVERED TO JOB SITE(S) OF A&E, AND FOR PAYMENTS DUE AND PAYABLE FOR A&E WORKERS' COMPENSATION PREMIUM ACCOUNT, AND OTHER CORPORATE EXPENSES OF A&E." AND, YOU KNOW, I AM GLAD YOU GOT ME TO READ THAT BECAUSE YOU ASKED ME ABOUT A CHECK YESTERDAY FOR SOME $17,000.00 THAT YOU CLAIM WAS PROPERTY TAXES. AND I WENT BACK AND LOOKED AND, ACTUALLY, THAT WAS THE CHECK THAT WAS WRITTEN TO CAROLINA FIRST FOR A CASHIERS CHECK FOR MATERIALS FOR ONE OF THE JOBS. AND SO, I WENT BACK AND LOOKED AT THAT AND THAT'S JUST A REFLECTION ON THIS COLUMN HERE IN 14. THERE WAS -- WE WROTE A CHECK FOR SOME APPLIANCES ON ONE OF THE JOBS AT CAROLINA FIRST

BANK, BUT YESTERDAY YOU HAD STAPLED ALL OF THOSE TAXES, PROPERTY TAXES, TO THE BACK OF THAT CHECK AND IT WASN'T THERE. I WENT HOME AND WENT BACK TO THE OFFICE LAST NIGHT AND PULLED THAT FILE UP JUST TO CHECK THAT.

Q ARE YOU FINISHED?

A YES, SIR, I AM.

Q YOUR ANSWER WAS THAT THE PAYMENTS MADE TO -- FOR CAROLINA FIRST BANK WERE FOR MATERIALS PURCHASED BY A&E?

A I JUST STATED THAT. I WENT AND PULLED OUT THE CHECK YOU REFERENCED YESTERDAY, STATING THAT IT WAS PROPERTY TAXES. THAT WAS NOT WHAT IT WAS.

Q I'M TALKING ABOUT ...

A THE CHECK WAS WRITTEN TO CAROLINA FIRST BANK. IT WAS NOT FOR THE CHECK THAT YOU GAVE ME YESTERDAY ATTACHED TO CAROLINA FIRST BANK -- CHECK TO CAROLINA FIRST BANK WITH A LIST OF PROPERTY TAXES ATTACHED TO THE BACK OF IT. AND YESTERDAY YOU GOT ME TO ADMIT, YES, THAT'S PROBABLY WHAT IT WAS. WELL, IT GOT MY CURIOSITY ABOUT THAT. I WENT BACK LAST NIGHT AND PULLED THAT UP AND WE ARE GOING TO SHOW YOU THAT IN A LITTLE WHILE, THAT CHECK.

Q CAROLINA FIRST DIDN'T PAY FOR YOUR WORKERS'

COMPENSATION PREMIUM. THEY DIDN'T PROVIDE WORKERS' COMPENSATION INSURANCE TO YOU, DID THEY?

A NO. THEY DID NOT.

Q WHY WOULD YOU BE WRITING A CHECK TO CAROLINA FIRST FOR A&E'S WORKERS' COMPENSATION PREMIUM ACCOUNT?

A I'M NOT SURE ABOUT THAT STATEMENT, BUT I'M SURE -- I CAN'T ANSWER THAT QUESTION, MR. DURANT.

Q THIS IS YOUR ANSWER, CORRECT?

A THAT'S CORRECT.

Q 15. "PLEASE STATE THE REASON A&E, IN CHECKS SIGNED BY A.W. VEREEN, MADE PAYMENTS TO PRUDENTIAL INSURANCE IN THE AMOUNT EXCEEDING $9,000.00.00 FOR THE "GREEN TURTLE" JOB AS ALLEGED IN THE COMPLAINT STATING, (A) THE BUSINESS PURPOSE OF THE EXPENDITURE. (B) THE PERSON WHO AUTHORIZED THE EXPENDITURE ON BEHALF OF A&E. (C) THE REASON FOR PAYMENT. (D) THE INVOICES SUPPORTING THE PAYMENT. (E) ANY EVIDENCE OF REPAYMENT TO THE PLAINTIFF OF SUCH AMOUNTS FROM ANY SOURCE. (F) THE CORPORATE AUTHORIZATION FROM A&E THAT SUPPORTED YOUR ACTIONS IN MAKING THIS PAYMENT." AND YOUR ANSWER?

A ANSWER, "THESE DEFENDANTS HAVE NO KNOWLEDGE OF THE BASIC REASONS FOR ANY ALLEGATIONS MADE BY PLAINTIFFS IN THEIR COMPLAINT. THE DEFENDANTS DID NOT ADMIT THAT PAYMENTS EXCEEDING $9,000.00 WERE MADE BY A&E TO THE "GREEN TURTLE" JOB. PLAINTIFF, SMITH AND DEFENDANT, VEREEN, ON BEHALF OF A&E, TOOK EMPLOYEES AND SUBCONTRACTORS ON AN S CORPORATE VACATION TO MR. VEREEN'S, HOME OF GREEN TURTLE. ANY PAYMENTS BY A&E FOR THE GREEN TURTLE TRIP WERE MADE ON BEHALF OF THE SHAREHOLDERS IN THE FORM OF A VACATION PAY AND CORPORATE BENEFITS FOR EMPLOYEES AND SUBCONTRACTORS. THE SAME WERE AUTHORIZED BY DEFENDANT, VEREEN AS TREASURER OF A&E AND PLAINTIFF, SMITH AS PRESIDENT." AND I THINK IF YOU WILL LOOK BACK THROUGH OUR ACCOUNTING, THAT'S ANOTHER ONE WE JUST DIDN'T FEEL LIKE ARGUING WITH.

Q YOU AGREE THAT, THAT WAS PERSONAL ...

A WE PICKED IT UP AND PUT IT ON OUR SIDE OF THE LEDGER. EVEN THOUGH WE DON'T AGREE WITH IT, WE PUT IT ON OUR SIDE OF THE LEDGER.

Q THAT'S NOT WHAT YOU SAID WHEN I ASKED YOU THE QUESTION IN THE INTERROGATORIES ABOUT THE GREEN TURTLE JOB EXPENSES?

A I DIDN'T SAY WHAT, SIR?
Q YOU DIDN'T AGREE THAT IT WAS A PERSONAL EXPENSE, DID YOU, SIR?
A NOT IN THIS, I DID NOT.
Q LET'S GO TO NUMBER 16. "PLEASE STATE THE REASON A&E, IN CHECKS SIGNED BY A.W. VEREEN, MADE PAYMENTS TO PRUDENTIAL INSURANCE IN THE AMOUNT EXCEEDING $17,000.00 AS ALLEGED IN THE COMPLAINT STATING, (A) THE BUSINESS PURPOSE OF THE EXPENDITURE. (B) THE PERSON THAT AUTHORIZED THE EXPENDITURE ON BEHALF OF A&E. (C) THE REASON FOR THE PAYMENT BY A&E. (D) THE INVOICES SUPPORTING THE PAYMENT. (E) ANY EVIDENCE OF REPAYMENT TO THE PLAINTIFF FOR SUCH AMOUNT FROM ANY SOURCE. (F) AND THE CORPORATE AUTHORIZATION FROM A&E THAT SUPPORTED YOUR ACTING AND MAKING THE PAYMENT." YOUR ANSWER?
A "THESE DEFENDANTS HAVE NO KNOWLEDGE FOR THE BASIC REASON FOR ANY ALLEGATIONS MADE BY PLAINTIFFS IN THEIR COMPLAINT. UPON INFORMATION AND BELIEF, PAYMENTS BY A&E TO PRUDENTIAL INSURANCE WERE MADE FOR THE PURPOSE OF PAYING LIFE INSURANCE PREMIUMS ON BEHALF OF DEFENDANT, VEREEN AND WERE AUTHORIZED BY DEFENDANT, VEREEN AS TREASURER OF A&E. THE PAYMENT OF THESE

INSURANCE PREMIUMS WERE AUTHORIZED AT THE TIME OF INCORPORATION OF A&E. THE PAYMENT OF THESE INSURANCE PREMIUMS WERE MADE WITH FULL KNOWLEDGE AND APPROVAL OF PLAINTIFF, SMITH AND PLAINTIFF, SMITH FAILED TO COMPLAIN OR REQUEST THAT PAYMENTS OF SUCH INVOICES BE STOPPED." I THINK I TESTIFIED YESTERDAY THAT WHEN WE BEGAN A&E, BACK BEFORE IT WAS INCORPORATED IN OCTOBER, AND THIS WAS BACK IN AUGUST OR SEPTEMBER, AND I STATED THAT YESTERDAY, THAT I INFORMED ELLIS THAT I WAS PAYING MY INSURANCE. I HAD SEVERAL INSURANCE PREMIUMS THAT MY COMPANY WAS PAYING AND THEY WERE GOING TO CONTINUE TO PAY THAT. HE NEVER ASKED ME NOT TO. HE NEVER TOLD ME TO STOP. HE NEVER DISAGREED WITH IT, AND IT CONTINUED. YESTERDAY ALSO YOU SHOWED ME SOME DOCUMENTATION FOR SOME PAYMENTS TO SEVERAL INSURANCE COMPANIES THAT YOU SAID WERE PART OF MY EXPENSES. WE WENT BACK -- I WENT BACK TO LOOK AT THAT AS WELL AND THOSE WERE NEVER DRAFTED. IT WAS AUTOMATIC DRAFTS THAT ARE SHOWN ON YOUR BOOKS BY SUSAN BRADY SAYING THAT THOSE PAYMENTS WERE MADE ON MY BEHALF. THEY NEVER DEBITED AND THEY'RE NOT THERE.

Q I THOUGHT IT WAS YOUR TESTIMONY YESTERDAY, AND

YOU CORRECT ME -- THAT MR. SMITH DIDN'T KNOW ABOUT THESE CHECKS FOR THE INSURANCE AND YOU AGREED THAT THOSE WERE PERSONAL EXPENSES?

A I NEVER -- I DIDN'T SAY -- I'M NOT SAYING TODAY THAT IT NOT A PERSONAL EXPENSE. I DIDN'T SAY THAT. I DIDN'T SAY WHAT YOU JUST SAID. I SAID YESTERDAY -- I SAID YESTERDAY WHAT I JUST STATED A FEW MINUTES AGO. THAT ELLIS AND I BEGAN TALKING BACK IN AUGUST AND SEPTEMBER BEFORE WE EVER DID ANYTHING IN OCTOBER. I TOLD HIM AT THAT TIME -- I WAS UPFRONT AND TOLD HIM I HAD SEVERAL -- SOME BIG PERSONAL EXPENSES WERE PAID OUT OF MY COMPANY AT THE END OF THE YEAR AND I HAD TO ACCOUNT FOR THOSE WITH RICHARD. RICHARD ALWAYS PUT THOSE AS MY PERSONAL EXPENSES. AND THE COMPANY ALWAYS PAID FOR THOSE AND THAT'S THE WAY I WAS GOING TO DO IT NOW, AND HE NEVER SAID, "NO, I'M NOT GOING TO AGREE WITH THAT. NO. I DON'T WANT TO DO THAT." HE NEVER TOLD ME THAT ...

Q THAT WAS WHEN YOU OWNED THE COMPANY, CORRECT? YOU OWNED ARTHUR VEREEN CONSTRUCTION, CORRECT.

A ... AND I ALSO TOLD HIM THAT'S EXACTLY WHAT -- I'LL SAY IT AGAIN. WE STARTED TALKING ABOUT STARING A&E CONSTRUCTION. I TOLD HIM, "THIS IS

HOW I HANDLE MY INSURANCE, MY PERSONAL LIFE INSURANCE, MY PRIVATE LIFE ACCIDENTAL INSURANCE. AS I FOUND OUT IN THE CONSTRUCTION BUSINESS, WORKERS' COMP WILL NOT COVER ME, EVEN THOUGH I PAY WORKERS' COMP. IF I GET INJURED ON THE JOB, IT'S TOUGH FOR ME AS A MANAGER/OWNER OF THE COMPANY TO COLLECT WORKMAN'S COMP. I TOOK OUT A LIFE -- I TOOK OUT AN ACCIDENT DISABILITY POLICY SOME THIRTY YEARS AGO." AND I EXPLAINED ALL OF THOSE PAYMENTS TO HIM AND HE NEVER SAID, "NO, WAYNE, DON'T DO THAT."

Q THOSE WERE PERSONAL EXPENSES AND YOUR ACCOUNTANT BOOKED THEM AS PERSONAL EXPENSES, CORRECT?

A ABSOLUTELY. ALL OUR PAPERWORK AND EVERYTHING WE HAVE DOCUMENTED, ALL OUR CHECKS, ALL THAT'S ON MY SIDE OF THE LEDGER. YOU WILL SEE IT AND IN ACCOUNTING, WE HAVE TRIED TO PREPARE FOR YOU AND YOU JUST WON'T LOOK AT IT. IT'S THERE, SIR.

Q SO WHEN DECEMBER COMES YOU KNOW HOW MUCH YOU PAID FOR THESE INSURANCE POLICIES AND PERSONAL, CORRECT?

A THAT'S CORRECT.

Q DID YOU, MR. VEREEN, GO TO YOUR PERSONAL CHECKBOOK AND PAY THE MONEY BACK TO THE COMPANY?

A I'LL SAY WHAT I HAVE SAID A NUMBER OF TIMES, MR.

DURANT. I HAVE MADE DEPOSITS INTO A&E, ALL MY PERSONAL ENTITIES ...

Q WELL, YOUR ANSWER FIRST IS YES OR NO AND THEN YOU CAN EXPLAIN IT. DID YOU PAY THE MONEY BACK IN TERMS OF A CHECK FROM YOUR PERSONAL ACCOUNT TO THE COMPANY ...

A IDENTIFY EXACTLY WHAT IT WAS?

Q YES, SIR.

A NO, SIR. I DID NOT. DID I MAKE THE DEPOSITS? DID I PAY THAT MONEY BACK, ABSOLUTELY. I PAID IT BACK IN THE FORM OF DEPOSITS AND I HAVE STATED THAT OVER A PERIOD OF FIVE YEARS. I'M THE ONLY ONE WHO'S PUT MONEY INTO A&E. I'M THE ONLY ONE WHO HAS PROVIDED US A PLACE TO WORK OUT OF. I DID THAT. AND ALL I WANTED TO DO IS GET FAIR SHAKE FOR THE MONEY I PUT IN. I WANT TO GET A FAIR SHAKE FOR THE FACILITIES THAT I PROVIDED. I WANT A FAIR SHAKE FOR THE JOBS THAT I BROUGHT TO THAT COMPANY. THAT'S ALL I'M ASKING.

Q NUMBER 18, I AM NOT GOING TO READ -- WELL, I'LL READ IT. "PLEASE IDENTIFY THE JOB THAT A&E PROVIDED LABOR, MATERIALS OR CONSTRUCTION SERVICES THAT WERE FOR COMPANIES OWNED BY WAYNE VEREEN OR MEMBERS OF HIS IMMEDIATE FAMILY,

INCLUDING BUT NOT LIMITED TO, THE PARK PLACE PROPERTIES, PUTT-PUTT, POINTE MARSH, PLANTATION LAKES, AND PERSONAL HOME OF MR. AND MRS. WAYNE VEREEN. FOR EACH JOB IDENTIFIED, PLEASE STATE THE NAME, (A) THE NAME OF THE PERSON WITH A&E AND NAME OF THE PERSON WITH EACH ENTITY ABOVE WHO MADE AN AGREEMENT, WHETHER ORAL ARE WRITTEN, FOR A&E TO PROVIDE CONSTRUCTION SERVICES, INCLUDING BUT NOT LIMITED TO, PROVIDING LABOR, MATERIALS AND SUPERVISION FOR EACH PROJECT. (B) PLEASE STATE WHETHER EACH AGREED TO PAY A&E FOR PROVIDING LABOR, MATERIALS AND CONSTRUCTION SUPERVISION, AND THE MANNER OF COMPUTING SUCH PAYMENTS AND THE BASIS FOR SUCH AGREEMENT. (C) FOR EACH JOB, PLEASE INDICATE IF AND WHEN A&E BILLED THE RESPONSIBLE ENTITY FOR THE SERVICES PROVIDED AND THE PERSON RESPONSIBLE FOR GATHERING THE BILLING INFORMATION AND SENDING THE INVOICES AND THE PERSON FROM EACH ENTITY RESPONSIBLE FOR MAKING PAYMENT. (D) AS TO EACH JOB, PLEASE IDENTIFY IF THERE IS A AGREEMENT SIGNED BY ANY PERSON FROM A&E AND FROM EACH ENTITY IDENTIFYING THE NATURE, SCOPE AND CHARGE FOR THE SERVICES PROVIDED OR TO BE PROVIDED. (E) STATE WHETHER OR NOT TO HAVE A WRITTEN LIST

OF ALL CHARGES INCURRED IN EACH JOB AND EACH BILLING STATEMENT SENT FOR A&E FOR EACH JOB AND INDICATE THE FREQUENCY OF BILLING FOR EACH JOB." AND YOUR ANSWER?

A "THE FOLLOWING JOBS WERE PERFORMED FOR PARK PLACE PROPERTIES OF MYRTLE BEACH, LLC, A COMPANY MANAGED BY DEFENDANT VEREEN, (A) BLACK PEARL MINIATURE GOLF COURSE (OR PUTT-PUTT), AND (B) POINTE MARSH COST ONLY JOBS, EXPENSES FOR THIS TIME TO BE FOUND IN A&E'S RECORDS, NO WRITTEN AGREEMENT. DEFENDANTS FURTHER REFER PLAINTIFFS TO DEFENDANTS' ANSWERS TO PLAINTIFFS' INTERROGATORIES 10, 20 AND 21. THE FOLLOWING JOBS WERE PERFORMED FOR PARKWAY OFFICES, LLC, A COMPANY MANAGED BY DEFENDANT VEREEN: RETROFIT AND UP-FIT OF NEW OFFICE SPACE AND BUILDING, COSTS ONLY JOB, EXPENSES FOR THIS JOB CAN BE FOUND IN A&E'S RECORDS. NO FORMAL AGREEMENT WAS FOUND IN THE RECORDS OF A&E. DEFENDANTS FURTHER REFER PLAINTIFFS TO DEFENDANTS' ANSWERS TO PLAINTIFFS' INTERROGATORIES 11 AND 22. THE FOLLOWING JOBS WERE PERFORMED FOR AVCC, A COMPANY MANAGED BY DEFENDANT, VEREEN: (A) PLANTATION LAKES SINGLE-FAMILY RESIDENCE. (B) BEACH DUNES HOTEL REMODEL. (C) DR. LALE, A

MEDICAL OFFICE UP-FIT. (C) WILLOUGHBY PLACE CONDOMINIUMS, AND (D) BURROUGHS BROTHER PUNCH LIST. COST ONLY JOBS. EXPENSES FOR THESE JOBS CAN BE FOUND IN A&E'S RECORDS. NO WRITTEN AGREEMENT WAS FOUND IN THE RECORDS OF A&E. DEFENDANTS FURTHER REFER PLAINTIFFS TO DEFENDANTS' ANSWERS TO PLAINTIFFS' INTERROGATORIES 13 AND 19. THE FOLLOWING JOBS WERE PERFORMED FOR DEFENDANT VEREEN: (A) MURRELLS INLET PERSONAL HOME AND, (B) GREEN TURTLE. COST ON THE JOBS. EXPENSES FOR THESE JOBS CAN BE FOUND IN A&E'S RECORDS. NO WRITTEN AGREEMENT WAS FOUND IN THE RECORDS OF A&E. DEFENDANTS FURTHER REFER PLAINTIFFS TO DEFENDANTS' ANSWERS TO PLAINTIFFS' INTERROGATORIES 12 AND 15. THE FOLLOWING JOBS WERE PERFORMED FOR THE ESTATE OF LEONA VEREEN, FAMILY ESTATE OF DEFENDANT VEREEN: MAPLE STREET APARTMENTS, AND, (B) MISCELLANEOUS REPAIRS AT RENTAL PROPERTIES. COST ON THE JOBS, EXPENSES FOR THESE JOBS CAN BE FOUND IN A&E'S RECORDS. NO WRITTEN AGREEMENT WAS FOUND IN RECORDS OF A&E. THE FOLLOWING JOBS WERE PERFORMED FOR ELIZABETH SISSON, FAMILY MEMBER OF DEFENDANT VEREEN: 4909 WILLOW LANE, PERSONAL HOME

REMODEL, AND (B) 701 3RD AVENUE, PERSONAL HOME REBUILD. COSTS ONLY JOBS. EXPENSES FOR THESE JOBS CAN BE FOUND IN A&E'S RECORDS. NO WRITTEN AGREEMENT. DEFENDANTS FURTHER REFER PLAINTIFFS TO DEFENDANTS' ANSWERS TO INTERROGATORY 28. THE FOLLOWING JOBS WERE PERFORMED FOR GAIL PERRY, FAMILY MEMBER OF DEFENDANT VEREEN: MISCELLANEOUS REPAIRS AT PERSONAL HOME. COST PLUS OVERSIGHT JOBS. EXPENSES FOR THIS JOB CAN BE FOUND IN A&E'S RECORDS. NO WRITTEN AGREEMENT WAS FOUND IN THE RECORDS OF A&E. THE FOLLOWING JOBS WERE PERFORMED FOR BRIAN AND/OR KARLA MAULDIN, FAMILY MEMBERS OF DEFENDANT VEREEN: (A) MARBLE SLAB UP-FIT, AND (B) PERSONAL HOME REMODEL. COST PLUS OVERSIGHT JOBS. EXPENSES FOR THESE JOBS CAN BE FOUND IN A&E'S RECORDS. NO WRITTEN AGREEMENT WAS FOUND IN A&E. HOWEVER, UPON INFORMATION AND BELIEF, A FORMAL CONTRACT EXISTED BETWEEN BRIAN MAULDIN FOR THE MARBLE SLAB UP-FIT. THE FOLLOWING JOBS WERE PERFORMED FOR GREG SISSON, FAMILY MEMBER OF DEFENDANT VEREEN: PERSONAL HOME REMODELED. COST PLUS OVERSIGHT JOB. EXPENSES FOR THIS JOB CAN BE FOUND IN A&E'S RECORDS. NO WRITTEN AGREEMENT WAS FOUND IN THE RECORDS OF A&E. AS TO EACH OF

THESE JOBS, THE PAYMENT FOR MATERIALS AND LABOR ON THESE JOBS WERE MADE WITH FULL KNOWLEDGE AND APPROVAL OF PLAINTIFFS AND PLAINTIFF, SMITH FAILED TO COMPLAIN OR REQUEST THAT SUCH PAYMENTS BE STOPPED."

Q ALRIGHT. NUMBER 3, YOU SAID THAT THE PLANTATION LAKES HOUSE WAS A JOB PERFORMED FOR ARTHUR VEREEN CONSTRUCTION COMPANY?

A I THINK YOU'RE THE ONE THAT PRESENTED ME WITH A CONTRACT OF PLANTATION LAKES. AND I'M SORRY, THAT WAS ROB KEMPE. I APOLOGIZE. ORIGINALLY, PLANTATION LAKES WAS GOING TO BE BUILT BY ARTHUR VEREEN CONSTRUCTION COMPANY, AND AS I THINK I HAVE STATED A NUMBER OF TIMES, I PUT OUR JOBS THAT WE HAD IN PROGRESS THAT WE HAD BEEN WORKING ON FOR SEVERAL YEARS INTO A&E WHEN WE STARTED IN 2004, JANUARY 1ST, AND WE ACTUALLY PERFORMED A TREMENDOUS AMOUNT WORK ON THESE PROJECTS PRIOR TO THE START IN 2004. WE PUT THOSE JOBS IN TOO JUST LIKE BEACH DUNES REMODELING JOB. I STARTED WORKING ON THAT JOB, MR. DURANT, EIGHT OR NINE MONTHS PRIOR TO WE EVER STARTING A JOB. I STARTED NEGOTIATING WITH JACK ROBISON ON THAT PARTICULAR JOB AND IF YOU GO BACK AND LOOK AT THE JOB RECORDS ON BEACH DUNES, GO BACK AND LOOK

AT THE JOB RECORDS ON PLANTATION LAKES, DR. LALE, ALL THOSE JOBS WERE BEING NEGOTIATED BACK IN '03. I DID WHAT I SAID I WAS GOING TO DO. WHEN WE FORMED A&E, THOSE JOBS THAT EVEN I HAD -- I THINK EARLIER, WE READ THAT IN WHAT YOU'VE BEEN HAVING ME READ. THAT THOSE JOBS THAT WERE IN PROGRESS AND I WAS WORKING ON MR. SMITH WAS WORKING, WERE GOING TO BE PUT INTO A&E. WE WERE GOING TO FINISH UP THOSE JOBS THAT WE HAD NOT STARTED AND THAT WE HAD STARTED AND NOT COMPLETED, WOULD BE FINISHED UP IN DECEMBER. I THINK EVEN YOU STATED THAT THOSE JOBS THAT BEGIN JANUARY THE 1ST, THAT THEY WERE BRAND NEW JOBS THAT WERE GOING TO BE PUT INTO A&E. I DID THAT, MR. SMITH DID NOT. WE HAVE ALREADY TESTIFIED AND WE KNOW FROM HIS RECORDS, HE DIDN'T SHOW BACK UP AS AN ACTIVE EVERYDAY EMPLOYEE IN A&E UNTIL MAY OF '05.

Q PLEASE ANSWER THE QUESTION I ASK.

A I'M SORRY. I THOUGHT I DID.

Q PLANTATION LAKES WAS OWNED BY YOU?

A THE LOT WAS, YES, SIR.

Q AND ARTHUR VEREEN CONSTRUCTION COULDN'T DO BUSINESS AFTER OCTOBER 2003?

A ARTHUR VEREEN CONSTRUCTION COULD HAVE BEEN

STOPPED IN 2003. I COULD HAVE STARTED BACK IN 2004, SIR.

Q BUT YOU DIDN'T?

A I COULD HAVE.

Q BUT YOU DIDN'T?

A I DIDN'T. FOR ONE SIMPLE REASON.

Q WELL, TELL ME WHY ...

A LET ME FINISH. YOU MADE A STATEMENT. LET ME CLARIFY THAT. IF I HAD KNOWN THAT MY PARTNER WAS GOING TO BE INACTIVE AND WAS NOT GOING TO BE PARTICIPATING ON A DAILY BASIS OF RUNNING A&E CONSTRUCTION, WE WOULDN'T BE HAVING THIS CONVERSATION TODAY. I WOULD HAVE JUST PUT ARTHUR VEREEN CONSTRUCTION COMPANY BACK AS AN ACTIVE CONSTRUCTION COMPANY AND I WOULD HAVE KEPT ON BOOKING WHAT I WAS DOING. I HAD A PROJECT CALLED WILLOUGHBY PLACE. IT WAS GOING TO TAKE ME TWO OR THREE YEARS TO DO. I HAD REMODEL JOBS THAT I HAD ALREADY NEGOTIATED A CONTRACT WITH BEACHCOMER IT RAN ALMOST A MILLION. I HAD DR. LALE'S OFFICE, WHICH RAN $150,000.00. I MEAN, I HAD THESE JOBS LINED UP THAT I PUT INTO A&E TO SUSTAIN US AND GOT US GOING. WE NEGOTIATED WITH A GUY NAMED MARTIN BROWN -- ELLIS BACK IN '03, SIR, NOT IN 2004.

IN '03, FIRST TIME WE MET WITH MARTIN BROWN WAS A MILLION PLUS JOB TO BUILD A CONDOMINIUM. HE COULDN'T BUILD THAT CONDOMINIUM BECAUSE HE DIDN'T HAVE THE LICENSE. HE COULDN'T BUY THAT PERMIT. ARTHUR VEREEN CONSTRUCTION COMPANY COULD HAVE RE-LICENSED THEIR BUSINESS IN 2004 AND MOVED STRAIGHT ON FORWARD. I DID NOT NEED ELLIS SMITH TO WORK.

Q GOING BACK TO MY QUESTION THAT I ASKED. I ASKED YOU IF PLANTATION LAKES WAS OWNED BY YOU PERSONALLY?

A I THINK YOU'VE ASKED ME THAT ...

MS. COOK: YOUR HONOR, I HATE TO OBJECT.

JUDGE HOWE: LET'S SEE WHERE HE'S GOING.

Q A&E GOT THE CONSTRUCTION CONTRACT FOR PLANTATION LAKES?

A THAT'S CORRECT.

Q HOW DID THAT JOB BECOME AN ARTHUR VEREEN CONSTRUCTION COMPANY, A JOB PERFORMED BY A&E? THAT'S WHAT YOU SAID IN NUMBER 3.

A WELL, I THINK THAT'S WHAT I'M REFERRING TO THERE, SIR. ALL I SAID JUST THREE MINUTES AGO, I HAD ALREADY ANTICIPATED BUILDING THIS HOUSE IN

PLANTATION LAKES PRIOR TO 2004. WHO WAS GOING TO BUILD IT IN 2004, ARTHUR VEREEN CONSTRUCTION COMPANY. I DELAYED BUILDING THAT HOUSE AT THAT TIME, PUTTING THESE JOBS INTO A&E. A&E WAS NOT IN A POSITION TO START ANY OF THAT WORK UNTIL 2004, AND I HAVE STATED THAT. THESE JOBS RIGHT HERE WHERE IT SAYS, "THE FOLLOWING JOBS WERE PERFORMED BY ..."

Q ARE YOU TELLING ME THAT BEACH DUNES MOTEL WAS AN ARTHUR VEREEN CONSTRUCTION COMPANY JOB. IS WHAT YOU SAID, NOT ME.

A I DID SAY IT, AND I STATED IT. ALL OF THESE JOBS AND THE ONE I'M REFERRING TO -- I'M TRYING TO EXPLAIN THAT AND I'M NOT DOING A VERY GOOD JOB ON IT, OBVIOUSLY, AND I APOLOGIZE FOR THAT, BUT WHAT I'VE TRIED TO EXPLAIN IS THESE JOBS WERE IN PROGRESS PRIOR TO 2004 SOME OF THEM BACK IN '02 THAT I HAVE WORKED ON SEVERAL YEARS UNDER ARTHUR VEREEN CONSTRUCTION COMPANY. THAT'S WHERE THIS ARTHUR VEREEN CONSTRUCTION COMPANY COMMENT IS COMING FROM. THAT THOSE JOBS WERE IN PROGRESS TO BE PERFORMED BY ARTHUR VEREEN CONSTRUCTION COMPANY BACK IN '02 AND IN '03, GETTING THEM TO THE STAGE -- GETTING THEM TO THE STAGE WHERE WE CAN ACTUALLY PERMIT AND DO

CONSTRUCTION WORK. SO, THAT'S WHERE THAT COMMENT'S COMING FROM.

Q MR. VEREEN, LET ME FINISH. YOU SAID THAT PLANTATION LAKES, THE BEACH DUNES JOB, THE DR. LALE MEDICAL OFFICE UP-FIT, THE WILLOUGHBY PLACE JOB, AND THE BURROUGHS BROTHERS PUNCH LIST WERE ALL COSTS ON THE JOBS PERFORMED BY A&E FOR ARTHUR VEREEN CONSTRUCTION COMPANY? MR. VEREEN, YOU'RE STATING HERE IN THESE ANSWERS THAT ALL THESE JOBS WERE COST ONLY JOBS. IN OTHER WORDS, YOUR ANSWER WAS THAT THE COMPANY WAS NOT TO MAKE A PROFIT ON THESE JOBS, THE WILLOUGHBY PLACE CONDOMINIUM?

A I THINK THAT OBVIOUSLY IS NOT CORRECT, MR. DURANT, BECAUSE IF YOU WILL GO BACK AND LOOK AT THE JOB RECORDS THAT A&E MADE A SUBSTANTIAL AMOUNT OF MONEY ON THE WILLOUGHBY PLACE. AND I THINK THAT'S PRETTY OBVIOUS THAT THE COMPANY MADE MONEY OFF DR. LALE. BEACH DUNES, WE DID MAKE AS MUCH MONEY AS WE SHOULD HAVE OFF OF BEACH DUNES, BUT WE STILL MADE A SUBSTANTIAL AMOUNT OF MONEY AND THAT MONEY WENT INTO A&E.

Q THESE WEREN'T COST ONLY JOBS, THE COMPANY WAS SUPPOSED TO MAKE A PROFIT ON ALL OF THESE JOBS, INCLUDING PLANTATION LAKES?

A YES. WE HOPE WE WILL MAKE PROFIT OFF OF EVERYTHING WE DO. WE GO BILL "XYZ" BUILDING AND WE'RE GOING TO MAKE A PROFIT. WE HOPE WE ARE GOING TO MAKE A PROFIT.

Q ON EVERY JOB YOU DO?

A WE HOPE SO.

Q THAT WOULD INCLUDE POINTE MARSH?

A WE HOPE SO.

Q SO IT WOULD INCLUDE THE PUTT-PUTT?

A IT DOES NOT.

Q AND SO THAT WAS A COST ONLY JOB?

A ABSOLUTELY.

JUDGE HOWE: WHEN WOULD YOU EVER DO A COST ONLY JOB, IF IT'S FOR A FAMILY MEMBER?

A THAT'S CORRECT.

Q OR FOR HIMSELF.

A HOPEFULLY, I'M A FAMILY OR A MEMBER SO ...

JUDGE HOWE: I UNDERSTAND.

A I WOULD JUST LIKE TO MAKE ANOTHER STATEMENT, IF I COULD.

MS. COOK: NO.

Q LET'S GO ON TO NUMBER 20. I'M NOT GOING TO READ THE WHOLE THING TO YOU BECAUSE THE COURT AND YOU CAN LOOK AT IT. 20. GIVE ME YOUR ANSWER TO THE

QUESTION CONCERNING THE POINTE MARSH CONSTRUCTION JOB?

A CAN I READ THE QUESTION FIRST?

Q SURE.

A IT SAYS, "THE DEVELOPER/OWNER OF THE POINTE MARSH PROJECT WAS PARK PLACE PROPERTIES OF MYRTLE BEACH, LLC, WHICH DEFENDANT, VEREEN IS A MEMBER AND ACTED ON BEHALF OF DEVELOPER/OWNER. PARK PLACE PROPERTIES HIRES A&E ACTING ON BEHALF OF THE DEVELOPER/OWNER. PARK PLACE PROPERTIES HIRED A&E AS A GENERAL CONTRACTOR OF THE PROJECTS AND A&E ACTED THROUGH IT'S SHAREHOLDERS, VEREEN AND SMITH. NO FORMAL AGREEMENT BETWEEN DEFENDANT, PARK PLACE AND A&E WAS FOUND IN THE RECORDS OF A&E. ACCORDING TO THE JOB LEDGER FOR THIS PROJECT, ON JANUARY 27TH, 2009, THE TOTAL OF LABOR AND MATERIALS AND SERVICE PROVIDED ON THIS PROJECT WAS $973,636.40. ACCORDING TO THE JOB LEDGER FOR THIS PROJECT, PRINTED ON JANUARY 27, 2009, THE TOTAL AMOUNTS PAID A&E FOR THE LABOR, MATERIALS, AND SERVICES PROVIDED FOR THIS PROJECT WERE $624,963.96. ALSO, THE FOLLOWING PAYMENTS TO A&E WERE MADE ON THIS JOB: 1) $50,000.00 ON DECEMBER THE 30TH, 2003. 2)

$39,000.00 MARCH 8, 2004. 3) $65,000.00 ON MARCH 18, 2004, AND $25,000.00 ON APRIL 30, 2004. ALL OF WHICH WERE INITIAL CONTRIBUTIONS ON BEHALF OF DEFENDANT, VEREEN TO A&E. PAYMENTS IN THE AMOUNT OF $75,000.00 ON OCTOBER THE 27, 2004. $40,000.00 ON MARCH 25, 2005. AND $40,000.00 ON JUNE 29, 2005 SHOULDN'T HAVE BEEN APPLIED TO THIS PROJECT, AS REFLECTED IN THE LEDGER. THESE PAYMENTS TOTAL $958,963.96 PAID TO A&E FOR THE POINTE MARSH PROJECT. UPON INFORMATION AND BELIEF, THE CONSTRUCTION LOAN ON THE PROJECT WAS IN THE NAME OF OWNER/DEVELOPER, PARK PLACES PROPERTIES, AND THE CONSTRUCTION LENDERS ON THE PROJECT WERE FIRST PALMETTO SAVINGS BANK, HORRY COUNTY STATE BANK AND STOCK BUILDING SUPPLY. THE CONSTRUCTION DRAWS WERE DISBURSED TO PARK PLACE PROPERTIES FOR USE OF THE FUNDS TO PAY FOR THE CONSTRUCTION COSTS ASSOCIATED WITH THE JOB. AS THE OWNER OF THE PROPERTY, DEFENDANT, PARK PLACE PROPERTY, SIGNED THE OWNER'S AFFIDAVITS REQUIRED AT THE CLOSING OF EACH LOT. DEFENDANTS REFER TO DEFENDANTS' ANSWER TO PLAINTIFFS' INTERROGATORIES 20(C) ABOVE. UPON INFORMATION AND BELIEF, CONSTRUCTION PERMITS FOR THIS PROJECT LISTED AS

A&E AS THE GENERAL CONTRACTOR."

Q GOING ONTO 21. I WON'T READ IT. GIVE ME YOUR ANSWER TO THE QUESTION CONCERNING THE PUTT-PUTT JOB WHICH IS NUMBER 21.

A "THE OWNER/DEVELOPER OF THE PUTT-PUTT PROPERTY AND WAYNE VEREEN ACTED ON BEHALF OF THE DEVELOPER. THE DEVELOPER HIRED A&E AS A GENERAL CONTRACTOR FOR THE PROJECT THROUGH A&E MEMBERS VEREEN AND SMITH. UPON INFORMATION AND BELIEF, PERMITS WERE ISSUED FOR CONSTRUCTION OF A NEW SHIP AND A NEW OPEN DECK, AN ALTERATION OF EXISTING WATERFALL, CAVE, AND SEVEN HOLES. THESE PERMITS WERE ISSUED IN THE NAME OF DEFENDANT, PARK PLACE, AND THE GENERAL CONTRACTOR WAS LISTED AS A&E CONSTRUCTION. NO FORMAL AGREEMENT BETWEEN DEFENDANT, PARK PLACE AND A&E WAS FOUND IN THE RECORDS OF A&E. ACCORDING TO THE JOB LEDGER FOR THIS PROJECT, PRINTED ON DECEMBER THE 1ST, 2009, THE TOTAL LABOR, MATERIALS, AND SERVICES PROVIDED ON THIS PROJECT WERE $114,290.73. HOWEVER, DEFENDANTS ARE IN THE PROCESS OF ATTEMPTING TO VERIFY THE ACCURACY OF THIS INFORMATION, FOLLOWING A MARCH 18, 2009 PLAINTIFF'S INSPECTION OF A&E ELECTRONIC RECORDS MAINTAINED ON THE COMPUTER

USED BY THE OFFICE MANAGER OF A&E, AFTER WHICH THE INFORMATION CONTAINED THEREIN APPEARS TO BE CORRUPTED. ACCORDING TO THE JOB LEDGER FOR THIS PROJECT, PRINTED DECEMBER 1ST, 2009, THE TOTAL AMOUNT PAID ON LABOR, MATERIALS, AND SERVICES PROVIDED AT THIS PROJECT $51,624.73. HOWEVER, DEFENDANTS ARE IN THE PROCESS OF ATTEMPTING TO VERIFY THE ACCURACY OF THIS INFORMATION FOLLOWING THE MARCH 18, 2009, PLAINTIFFS' INSPECTION OF A&E ELECTRONIC RECORDS MAINTAINED ON THE COMPUTER USED BY THE OFFICE MANAGER OF A&E, AFTER WHICH THE INFORMATION CONTAINED THEREON APPEARS TO BE CORRUPTED. UPON INFORMATION AND BELIEF, THERE WAS NO CONSTRUCTION LOAN ON THE PROJECT. UPON INFORMATION AND BELIEF, OWNER'S AFFIDAVITS WAS NOT EXECUTED FOR THIS PROJECT. UPON INFORMATION AND BELIEF, A&E WAS LISTED AS GENERAL CONTRACTOR. PAYMENTS TO A&E ON THE PUTT-PUTT JOB WERE SHOWN ON THE JOB LEDGER FOR THAT PROJECT. DEFENDANTS ARE ATTEMPTING TO VERIFY THAT ALL APPLICABLE PAYMENTS AND EXPENSES HAVE BEEN CORRECTLY APPLIED TO THIS JOB. DEFENDANTS REFER PLAINTIFFS TO DEFENDANTS ANSWERS TO PLAINTIFFS' INTERROGATORIES 21(A) ABOVE.

FURTHERMORE, PLAINTIFF SMITH WAS AWARE OF SUCH PERMIT AT THE TIME OF ITS APPLICATION AND ISSUANCE, AND OF THE PROJECT FROM INCEPTION TO COMPLETION."

Q LET'S GO DOWN TO NUMBER 23. I ASKED YOU QUESTIONS CONCERNING SPECIFIC PAYMENTS THAT WERE MADE OUT OF THE A&E CHECKING ACCOUNT. IF YOU WILL JUST READ YOUR ANSWER PLEASE?

A OKAY. "THE PAYMENT OF APPROXIMATELY $12,703.69 OF DRY CLEANING FOR SURFSIDE CLEANERS. IS THAT WHAT YOU ARE ASKING ME TO READ?

Q NO. YOUR ANSWER.

A I'M SORRY. "DEFENDANT VEREEN SIGNED AND/OR AUTHORIZED ALL CHECKS PAYABLE FROM THE CHECKING ACCOUNT OF A&E. DEFENDANTS DO NOT ADMIT THE PAYMENTS AND/OR DOLLARS FIGURE OF PAYMENTS REFLECTED IN PLAINTIFFS' INTERROGATORY 23 A-S WERE MADE, BUT WITHOUT WAIVING THEIR RIGHT TO CONTEST THE SAME, ANSWER AS FOLLOWS: PAYMENTS TO SURFSIDE CLEANERS WERE EXPENSES OF DEFENDANT VEREEN AND WERE PAID AS REIMBURSEMENT OF CAPITAL CONTRIBUTIONS AND/OR SALARY, AND/OR ADVANCE, AND/OR BONUSES FOR DEFENDANT VEREEN. PAYMENT TO JOHN HANCOCK ARE EXECUTIVE EXPENSES RELATED TO THE EMPLOYMENT OF DEFENDANT VEREEN AND LIFE

INSURANCE BENEFITS REGARDING THE SAME. THESE EXPENSES WERE AUTHORIZED AT THE TIME OF THE FORMATION OF A&E. DEFENDANTS FURTHER REFER PLAINTIFFS TO DEFENDANTS' ANSWER TO PLAINTIFFS' INTERROGATORY 17. THE PAYMENTS TO PROVIDENT LIFE AND ACCIDENT ARE EXECUTIVE EXPENSES RELATED TO THE EMPLOYMENT OF DEFENDANT VEREEN AND DISABILITY INSURANCE BENEFITS REGARDING THE SAME. THESE EXPENSES WERE AUTHORIZED AT THE TIME OF THE FORMATION OF A&E. PAYMENTS TO PRUDENTIAL INSURANCE ARE EXECUTIVE EXPENSES RECORDING THE SAME. THESE EXPENSES RELATED TO THE EMPLOYMENT OF DEFENDANT VEREEN AND LIFE INSURANCE BENEFITS REGARDING THE SAME. THESE EXPENSES WERE AUTHORIZED AT THE TIME OF THE FORMATION OF A&E. DEFENDANTS FURTHER REFER PLAINTIFFS TO DEFENDANTS' ANSWERS TO PLAINTIFFS' INTERROGATORIES 16. UPON INFORMATION AND BELIEF, PAYMENTS TO DEFENDANT VEREEN WERE IN THE FORM OF EMPLOYEE SALARIES, EMPLOYEE ADVANCES, EMPLOYEE BONUSES, REIMBURSEMENT OF CAPITAL CONTRIBUTIONS, REIMBURSEMENT OF A&E EXPENSES PAID BY DEFENDANT VEREEN. FLYING CLOUD IS DEFENDANT VEREEN'S PLANE WHICH IS USED TO TRANSPORT EMPLOYEES, SUBCONTRACTORS AND

PRINCIPALS OF A&E TO THE COMPANY VACATION TO GREEN TURTLE CAY AS REFLECTED IN ANSWER TO INTERROGATORY 15 ABOVE. PAYMENTS TO THE FLIGHT CLOUD WERE MADE BY A&E TO REIMBURSE DEFENDANT VEREEN FOR FLIGHT AND VACATION EXPENSES AND AS VACATION PAID BONUS, AND/OR ADVANCE. SPECIFICALLY, PAYMENTS WERE MADE ON JUNE 8TH, 2004 IN THE AMOUNT OF $4,502.00 BY CHECK 1111 ..."

OFF THE RECORD.

FEBRUARY 16, 2011.

Q AND MR. VEREEN, LET'S SKIP OVER TO YOUR ANSWERS IN (G), WHICH IS ON PAGE 27-G. DID SOMEBODY SWITCH THE PAY ON YOU? THAT'S 28.

A THAT'S 28.

Q I THINK I'M ASKING YOU IN (G) THE PAYMENT OF APPROXIMATELY, $100,000.00 TO FIRST PALMETTO BANK AND 11 CHECKS DATED 8/19/04 TO 6/25/05, AND WHAT WAS YOUR ANSWER?

A ARE YOU ASKING ME THAT QUESTION NOW?

Q YEAH. WHAT IS YOUR RESPONSE IN G?

A I'M SORRY. I'VE HAD TO GET BACK AND CHANGE WHERE I WAS AT ALL THE TIME. "PAYMENTS TO FIRST PALMETTO IN 11 CHECKS BETWEEN AUGUST THE 19TH, 2004 AND MAY 28, 2005, TOTALING $100,426.87 WERE

MADE FOR THE PURPOSES OF PERIODICALLY REIMBURSING DEFENDANT VEREEN FOR HIS FINANCIAL CONTRIBUTIONS IN THE FORM OF CAPITAL CONTRIBUTIONS AND REIMBURSEMENT OF A&E EXPENSES."

Q SO THAT $100,426.00 PAYABLE TO FIRST PALMETTO WAS TO REIMBURSE ARTHUR WAYNE VEREEN FOR WHAT HE PUT INTO THE COMPANY VERSES SOME OF THE OTHER ENTITIES?

A NO, SIR. WHEN I SAID, "DEFENDANT VEREEN", MY ENTITY IS MYSELF, PARK PLACE PROPERTIES, ARTHUR VEREEN CONSTRUCTION COMPANY.

Q ARE THEY ALL ONE AND THE SAME?

A YES.

Q AND WE WILL SKIP OVER TO (I) FOR TIME SAKE. I'M ASKING YOU THE PAYMENT OF APPROXIMATELY $113,724.00 TO ARTHUR VEREEN CONSTRUCTION AND CHECKS FROM 1/18/04 TO 9/3/04, AND YOUR ANSWER TO (I) WAS?

A "PAYMENT TO ARTHUR VEREEN CONSTRUCTION COMPANY BY A&E IN 12 CHECKS FROM JANUARY THE 18TH, 2004 THROUGH SEPTEMBER THE 2ND, 2004, TOTALING $113,724.00 WERE MADE FOR THE PURPOSES OF REIMBURSING PAYMENTS MADE BY AVCC FOR LABOR, MATERIALS, AND SERVICES ON JOBS TRANSFERRED TO

A&E AFTER JANUARY THE 1ST, 2004, BUT FOR WHICH PAYMENT WAS RECEIVED BY A&E. THESE JOBS INCLUDE, BUT ARE NOT LIMITED TO, WILLOUGHBY PLACE CONDOMINIUMS, BEACH DUNES HOTEL REMODEL, DR. LALE MEDICAL OFFICE UP-FIT, PLANTATION LAKES SINGLE-FAMILY RESIDENCE, TAHITIAN PRINCESS CONDOMINIUMS, AND INCLUDE EXPENSES WHICH EXCEED $70,000.00 PLUS SALARIES. DEFENDANTS FURTHER REFER PLAINTIFFS TO DEFENDANTS' ANSWER TO PLAINTIFFS' INTERROGATORY 18."

Q SO THIS $113,000.00 WAS FOR REIMBURSING ARTHUR VEREEN CONSTRUCTION COMPANY FOR CONTRIBUTIONS MADE OR PAYMENTS MADE ON BEHALF OF A&E, VERSES ARTHUR VEREEN OR PARK PLACE PROPERTIES? OR IS THIS MONEY FOR ALL THE VEREEN ENTITIES?

A I AM REALLY NOT SURE. I KNOW THAT OUR ACCOUNTING WILL IDENTIFY THIS MONEY AND IDENTIFY WHERE IT CAME FROM AND WHERE IT WENT AND IT'S IN THAT PAPER TRAIL.

Q I ASKED YOU ABOUT THE $3,915.00 FOR PAYMENTS TO THE 29TH AVENUE HOA FROM FEBRUARY '05 TO SEPTEMBER OF '07, AND YOUR ANSWER IN (J) WAS WHAT?

A "PAYMENTS TO 29TH AVENUE HOA ARE EXPENSES OF DEFENDANT VEREEN PAID IN LIEU OF SALARY FROM

A&E. THESE PAYMENTS WERE MADE WITH FULL KNOWLEDGE OF PLAINTIFF SMITH."

Q WHAT DO YOU MEAN WHEN YOU SAY THEY WERE PAYMENTS MADE "IN LIEU OF" SALARY?

A I'M REALLY NOT SURE.

Q YOU WERE GETTING A SALARY, WEREN'T YOU?

A I WAS.

Q DID YOU TESTIFY EARLIER THAT MR. SMITH DIDN'T KNOW ANYTHING ABOUT THE HOA BILLS BEING PAID EACH MONTH OUT OF YOUR ACCOUNT?

A NO. I THINK IN 2004, MY SALARY WAS COMING FROM ARTHUR VEREEN CONSTRUCTION COMPANY UP UNTIL JUNE OF 2004, EVEN THOUGH I WAS DOING WORK FOR A&E, ARTHUR VEREEN CONSTRUCTION COMPANY WAS ACTUALLY PAYING MY SALARY. SO, I'M NOT REAL SURE OF THAT AND I THINK OUR PAPERWORK AND THE DOCUMENTATION THAT WE HAVE PUT TOGETHER IS GOING TO IDENTIFY THAT EXPLICITLY SO YOU UNDERSTAND IT. WE HAVE DONE IT.

Q LET'S SWITCH OVER TO PAGE NUMBER 30, QUESTION NUMBER 24. I'M GOING TO READ IT TO YOU. "PLEASE STATE WHETHER OT NOT YOU HAVE EVER ENDORSED OR HAD SOMEONE ELSE ENDORSE A CHECK PAYABLE TO THE PLAINTIFF A&E WITHOUT DEPOSITING THE SAME IN THE CHECKING ACCOUNT OF THE COMPANY

A&E AND/OR WHETHER YOU HAVE EVER RECEIVED PAYMENT (IN ANY FORM), FOR GOODS, SERVICES OR MATERIALS PROVIDED BY A&E OR THAT WAS DUE A&E FOR ANY REASON WITHOUT GIVING PAYMENT TO A&E FOR DEPOSIT. AND IF SO, FOR EACH INSTANCE, IDENTIFY THE MAKER, THE DATE, AND THE AMOUNT OF EACH PAYMENT OR CHECK AND WHAT YOU DID WITH SUCH CHECK, CASH OR OTHER FORM OF PAYMENT. WHO YOU TOLD THAT WAS EMPLOYED BY A&E OF SUCH ACTIONS BY YOU AND WHO AUTHORIZED SUCH ACTION ON YOUR BEHALF." AND YOUR ANSWER? PLEASE READ IT IN TOTAL.

A "UPON INFORMATION AND BELIEF, DEFENDANTS ARE AWARE OF FOUR OCCASIONS WHEREBY A CHECK PAYABLE AND/OR DUE TO A&E FOR A JOB COMPLETED BY A&E WAS ENDORSED, CASHED, AND NOT DEPOSITED IN THE CHECKING ACCOUNT FOR A&E. THE FIRST OCCASION WAS UPON RECEIPT OF PAYMENT FOR A DEMOLITION JOB. UPON REQUEST BY PLAINTIFF SMITH, THOSE FUNDS WERE CASHED AND EQUALLY DISTRIBUTED BETWEEN THE SHAREHOLDERS OF A&E, SMITH AND VEREEN. THE SECOND SUCH OCCASION WAS UPON THE COMPLETION OF A JOB IN NORTH MYRTLE BEACH, AND WAS ALSO AT REQUEST OF PLAINTIFF SMITH. FINAL FUNDS FOR THAT JOB WERE RECEIVED IN FULL BY

PLAINTIFF SMITH DIRECTLY FROM THE OWNER AND DEVELOPER OF THAT PROJECT. THE THIRD OCCASION WAS UPON THE RECEIPT OF A REFUND CHECK PAYABLE TO A&E OF A LOT RESERVATION AT THE CYPRESS RIVER PLANTATION PROJECT IN SOUTH MYRTLE BEACH. UPON REQUEST BY PLAINTIFF SMITH, THAT CHECK WAS ENDORSED BY DEFENDANT VEREEN AND TAKEN BY PLAINTIFF SMITH FOR THE STATED PURPOSE OF PAYING REAL PROPERTY TAXES ON PLAINTIFF'S PERSONAL HOME IN HORRY COUNTY. TO DEFENDANTS' BEST RECOLLECTION, THE LOT RESERVATION REFUND WAS IN THE AMOUNT OF $7,000.00. THE FUNDS FOR THIS RESERVATION WERE ADVANCED BY DEFENDANTS, PARK PLACE PROPERTIES TO A&E AT THE TIME OF THE RESERVATION. THE FOURTH SUCH OCCASIONS WAS UPON RECEIPT OF PAYMENT IN THE APPROXIMATE AMOUNT OF $20,000.00 FOR THE CONSTRUCTION AND COMPLETION OF A SWIMMING POOL, A NORTH MYRTLE BEACH JOB, POSSIBLY THE OCEAN BLUE BY PLAINTIFF SMITH, WHO RECEIVED THOSE FUNDS IN FULL DIRECTLY FROM THE OWNER AND DEVELOPER OF THAT PROJECT. UPON INFORMATION AND BELIEF, THESE ARE THE ONLY FOUR OCCURRENCES OF THIS TYPE."

Q MR. VEREEN, WAS THIS STATEMENT TRUTHFUL WHEN IT WAS MADE?

A WELL, I THINK IN READING YOUR QUESTION TO ME WHERE IT SAYS, "WITHOUT GIVING SUCH PAYMENT TO A&E FOR DEPOSIT" MY INTERPRETATION OF THAT AND WHAT I UNDERSTAND WAS, THE DEPOSITS OF THAT WERE PUT IN A&E ON BEHALF OF PARK PLACE PROPERTY OR ARTHUR W. VEREEN OR WHATEVER. I'M NOT DENYING THAT WE'D DEPOSITED CHECKS TO A&E INTO PARK PLACE PROPERTIES. I THINK OF ALL THE QUESTIONS THAT YOU HAVE ASKED ME, I HAVE NOT DENIED THAT BUT ...

Q NO, SIR. WHEN YOU ANSWERED THE INTERROGATORIES IT ASKED YOU WHETHER OR NOT YOU HAD EVER ENDORSED OR HAD SOMEONE ELSE ENDORSE A CHECK PAYABLE TO A&E? THAT'S THE FIRST QUESTION. AND PUT IT INTO AN ACCOUNT OTHER THAN A&E AND THE ANSWER WAS NO.

A BUT IT GOES ON TO SAY, AND WHAT I UNDERSTOOD IT TO SAY, WITHOUT GIVING SUCH PAYMENT TO A&E FOR THOSE DEPOSITS. I'VE GIVEN THOSE DEPOSITS BACK -- IT SAYS, "WITHOUT GIVING SUCH PAYMENT TO A&E FOR DEPOSIT."

Q WITHOUT DEPOSITING THE SAME IN THE CHECKING ACCOUNT OF THE COMPANY. THAT'S WHAT THE QUESTION SAYS.

A YES, SIR. AND I THINK I'VE GIVEN YOU EXCESSIVE

AND EXCEEDING THAT MONEY WHICH WE HAVE PUT THAT TOGETHER. I HAVE PREPARED ALL THOSE DEPOSITS. I HAVE PAID ALL THOSE PAYMENTS. I HAVE PUT THAT IN THERE. THIS SAYS, "WITHOUT GIVING SUCH PAYMENT TO A&E." WHICH WE HAVE DONE. I THINK I'VE ANSWERED THAT QUESTION. THESE FOUR THINGS THAT I HAVE REFERRED TO IS THAT I KNOW THAT ELLIS -- THIS CHECK WAS CASHED AND ELLIS AND I SPLIT THAT MONEY ON THAT DEMOLITION. THE THIRD IS IT'S KIND OF REALLY -- WE HAVEN'T FIGURED THAT OUT YET, MR. DURANT. THERE'S A CHECK FOR $6,990.00 I BELIEVE IT WAS. IT MIGHT HAVE BEEN $6,900.00. IT WASN'T SEVEN. THAT I DID ENDORSE. I GAVE IT TO ELLIS. MR. SMITH, IT LOOKS LIKE, THAT CHECK WAS DEPOSITED, BEST I HAVE BEEN ABLE TO TRAIL, IT WAS DEPOSITED INTO AN ACCOUNT BY MARTIN BROWN AND THEN THAT CHECK WENT SOMEWHERE ELSE. WE HAVEN'T FIGURED OUT WHERE IT WENT. I TRIED TO HAVE THE BANK TRACE IT. WE HAVEN'T DONE IT, BUT I HAVE TRACED IT AS FAR AS IT GOING INTO MARTIN BROWN'S ACCOUNT. SO, I DON'T KNOW WHERE IT WENT FROM THAT POINT AND THE BANK HAS NOT BEEN ABLE TO TRACE IT FOR ME.

Q I ASKED YOU A SPECIFIC QUESTION, WHICH WAS --

THE QUESTION WAS, WHETHER OR NOT YOU HAVE EVER -- MR. VEREEN, YOU DEPOSITED CHECKS PAYABLE TO A&E IN YOUR OWN ACCOUNTS, THE VEREEN ACCOUNTS, DID YOU NOT, SIR?

A YES, SIR.

Q WHEN YOU ANSWERED THIS QUESTION YOU SAID YOU HAD NOT?

A NO, I DID NOT. THE FIRST PART OF THAT IS A QUESTION. THE SECOND PART OF THAT IS QUESTION AS WELL, "WITHOUT GIVING SUCH PAYMENT TO A&E. THAT'S IN THIS ENTIRE PARAGRAPH. I MADE THOSE DEPOSITS INTO A&E FROM ONE OF MY ENTITIES, WHICH I DID, AND I TRIED TO CLARIFY THAT. I HAVE TRIED TO PROVIDE YOU WITH COPIES OF THOSE CHECKS, COPIES OF THOSE DEPOSITS AND FOR SOME REASON, WE'RE HERE TODAY BECAUSE NO ONE WANTS TO LOOK AT IT. IT'S THERE.

Q THE SECOND QUESTION, HAVE YOU EVER TAKEN A CHECK PAYABLE FOR SERVICES RENDERED BY A&E SPECIFICALLY I THINK TO ARTHUR VEREEN CONSTRUCTION AND NOT DEPOSITED THEM INTO A&E WHEN THEY ARE FOR SERVICES RENDERED BY A&E?

A I THINK I'VE ANSWERED THAT, YES.

Q AND YOUR ANSWER -- YOU SAID THAT YOUR ANSWER WAS TRUTHFUL WHEN YOU ANSWERED THIS QUESTION.

A BUT YOU WON'T LET ME -- YOU WON'T TAKE INTO PART MY EXPLANATION FOR MY ANSWER RIGHT HERE.

MS. COOK: YOUR HONOR, IT IS CLEAR THE QUESTION HE'S ASKING IN COURT TODAY IS A DIFFERENT QUESTION.

JUDGE HOWE: I UNDERSTAND WHERE YOU BOTH ARE COMING FROM AND IT IS WHAT IT IS. WE CAN MOVE ON?

MR. DURANT: OKAY.

Q NOW, THE LAST SERIES OF QUESTIONS AND I'M NOT GOING TO ASK YOU ALL OF THOSE. YOU STATED THAT EVERYTHING THAT YOU DID CONCERNING THIS ACCOUNTING MESS OF DEPOSIT MONEY HERE, THERE, AND EVERYWHERE YOU TOLD YOUR ACCOUNT, YOUR CPAS, AND THEY WERE AWARE OF IT AND REPORTED IT PROPERLY ON THE COMPANY'S INCOME TAX RETURNS, AND THE VEREEN PERSONAL INCOME TAX RETURNS, AND ON THE OTHER VEREEN ENTITIES TAX RETURNS?

A WHEN DID I MAKE THAT STATEMENT?

Q I THOUGHT YOU SAID IN THESE ANSWERS TO INTERROGATORIES THAT YOUR ACCOUNTANT WAS AWARE OF ALL OF THESE TRANSACTIONS WHEN HE PREPARED THESE TAX RETURNS.

A NO, SIR, I DID NOT. I NEVER MADE THAT STATEMENT. I THINK THE STATEMENT I HAVE MADE IS

THAT WE'VE BEEN PREPARING ALL THAT DOCUMENTATION TO CLARIFY THOSE FOR PROPERTY TAX PREPARATION AND THAT'S WHAT WE HAVE BEEN DOING AND THAT'S WHAT WE HAVE DONE RIGHT NOW.

Q SO YOU DID NOT TELL HIM SOME OF THIS STUFF WHEN THE 2004, 2005 AND 2006 TAX RETURNS WERE DONE?

A I DON'T THINK WE PROVIDED HIM ALL OF THAT INFORMATION, NO, SIR, I DON'T.

Q OKAY.

A AT THAT TIME.

Q MR. VEREEN, YOU AGREE THAT THIS IS KIND OF AN ACCOUNTING NIGHTMARE, ISN'T IT?

A I THINK THAT WE HAVE STATED THAT. I THINK EARLIER I STATED -- YOU ASKED ME THAT SAME QUESTION. I THINK I SAID IT'S AN "ACCOUNTING DISTURBANCE". THAT WAS MY COMMENT.

Q IT WAS ALL OCCASIONED BY THINGS THAT YOU DID IN TERMS OF WRITING THESE CHECKS HERE, THERE AND EVERYWHERE, AND DEPOSITS HERE, THERE AND EVERYWHERE CONCERNING YOU, A&E AND ALL THESE OTHER ENTITIES?

A YOU ARE SAYING I'M SOLELY 100 PERCENT TO BLAME?

Q YOU WERE THE ONLY ONE WHO -- MR. SMITH DIDN'T WRITE ANY OF THE CHECKS OR MAKE ANY OF THE DEPOSITS, DID HE?

A YES, HE MADE DEPOSITS.
Q HE DROVE TO THE BANK AND ...
A YES, HE MADE DEPOSITS.
Q YOUR ACCOUNTANT, HOW MANY YEARS HAS MR. RICHARD CRUMPLER BEEN YOUR ACCOUNTANT?
A I DON'T KNOW, SIR, A LONG TIME.
Q A LONG TIME. HE IS A PERSONAL FRIEND OF YOURS ALSO?
A HE CERTAINLY IS.
Q BUT YOU HAVE NOT ENGAGED MR. CRUMPLER TO ASSIST YOU IN SORTING ALL THIS OUT?
A THAT'S NOT TRUE.
Q YOU HAVE?
A WE HAVE BEEN PREPARING DOCUMENTATION, PREPARING OUR COPIES OF OUR CHECKS. WE HAVE BEEN PUTTING ALL THAT TOGETHER TO GET HIM TO -- SO HE COULD FINISH THIS UP FOR US.
Q BUT YOU DID NOT RETAIN HIM OR USE HIM TO ASSIST YOU IN DETERMINING WHO WAS OWED WHAT IN THIS CASE?
A YES, SIR. WE ARE GOING TO BECAUSE HE IS GETTING THE DOCUMENTATION THAT WE PREPARED FOR YOU AND THIS COURT, HE'S GOING TO GET THAT PAPERWORK.
Q BUT YOU HAVE NOT RETAINED HIM AS AN EXPERT WITNESS IN THIS CASE TO DETERMINE WHAT IS DUE OR

OWING?

A NO, SIR.

Q WHY DID YOU NOT, SIR, IF HE HAS BEEN DOING YOUR WORK FOR ALL THESE YEARS AND YOU'VE TOLD HIM ALL THIS INFORMATION WHEN IT OCCURRED?

A WELL, I THINK RICHARD HAS DONE PART OF IT, BUT AT SAME TIME, WHAT YOU'VE ASKED US TO DO IS A TREMENDOUS AMOUNT OF TIME AND ITS TAKEN US A TREMENDOUS AMOUNT OF TIME. AND QUITE FRANKLY, I'LL GO BACK TO MY STATEMENT EARLIER, IS THAT I AM NOT SO SURE THAT SOME OF THIS STUFF WAS NOT EVEN POSTED ON OUR COMPUTER. WE HAVEN'T BEEN ABLE TO RETRIEVE -- YOU'VE OFFERED US A DISK AND I WOULD LOVE TO HAVE IT TO SEE WHERE WE ARE, BUT I KNOW FOR A FACT THAT FOR EVERY CHECK, EVERY DEPOSIT, EVERY INVOICE, THAT WAS PAID BY -- DUE BY A&E, PAID ON BEHALF OF A&E BY ARTHUR VEREEN OR ARTHUR W. VEREEN, PARK PLACE PROPERTIES, OR WHOEVER, THAT IT WAS EVERY TRANSACTION THAT HAS BEEN ACCOUNTED FOR AND WE HAVE DONE THAT PAPER TRAIL FROM 2004 THROUGH 2009. IT MAY HAVE EVEN BEEN IN 2010 THEN.

Q THE QUESTION WAS REALLY, WHY DIDN'T YOU RETAIN MR. CRUMPLER TO ASSIST YOU IN THIS ACCOUNTING DEFENSE?

A BECAUSE I THINK WE DID A BETTER JOB OF DETAIL TRYING TO FIND ALL THOSE LITTLE PIECES OF PAPER AND WE'VE DONE IT.

Q AND THAT WOULD BE THE ACCOUNTING DONE BY WHOM?

A IT WAS DONE BY -- ACTUALLY, DONE BY MY DAUGHTER AND MYSELF. WHEN A SAY, "ACCOUNTING" BETH HAS DONE THE MAJORITY OF PUTTING THIS STUFF EXACTLY WHERE IT WAS. I HAVE HELPED HER TO LOCATE THOSE INVOICES, AND IN FACT, CARRIE IN MY OFFICE, SPENT UNTIL, I THINK, SEPTEMBER OF `09 OR `10. I CAN'T REMEMBER THE DATE NOW, ITS BEEN SO LONG AGO. SHE SPENT A TREMENDOUS AMOUNT OF TIME TRYING TO GET THIS STUFF CLEARED UP.

Q THAT'S ALL THE QUESTIONS I HAVE FOR NOW. YOUR WITNESS.

BUSINESS RECORD OF A&E
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "6".
COMPLETE DEPOSITION OF DREWETT
& GENERAL LEDGER OF A&E
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "7".
LICENSING AND INCORPORATION

DOCUMENTS FOR ALL PARTIES
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "10".
LIST OF PERMITS FROM CITY OF MB
FOR A&E AND STRAND BUILDERS
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "11".
TAX RECORD FOR ALL DEFENDANTS
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "19-A".
AVC & A&E BUSINESS RECORDS
SUBPOENAED FROM SMITH SAPP
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "20".
BANKING RECORDS OF PARK PLACE
FROM 6/04 TO 12/2009
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "22".
HUD-1 CLOSING STATEMENT FOR
POINTE MARSH, CHECKS

MARKED FOR IDENTIFICATION
AS PLAINTIFF'S EXHIBIT "24".
CHECK 1505, FROM MRS. SISSON
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "25".
WAGES TO AWV AS REPORTED
ON PERSONAL TAX FROM A&E
MARKED FOR IDENTIFICATION
AS PLAINTIFF'S EXHIBIT "27".
DEFENDANT ANSWERS TO
PLAINTIFF INTERROGATORIES
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "28".
DEFENDANTS RESPONSES TO
PLAINTIFF REQUEST FOR PRODUCTION
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "29".
DEPOSITION OF LINDA VEREEN
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "30".

CROSS EXAMINATION BY MS. COOK:

Q MR. VEREEN, MAYBE I'M JUST GOING TO ASK YOU A FEW PRELIMINARY QUESTIONS. FIRST OF ALL, WHEN YOU AND, AND ELLIS, AND I HOPE NOBODY MINDS ME CALLING ELLIS, ELLIS BECAUSE I WILL REMEMBER TO SAY THAT BETTER THAN MR. SMITH. WHEN YOU AND ELLIS JOINED FORCES, WHO AND WHY DID Y'ALL MAKE THE DETERMINATION THAT HE WOULD BE PRESIDENT AND YOU WOULD BE TREASURER?

A I'M NOT REAL SURE TO BE HONEST WITH YOU. HE SAID HE WANTED TO BE PRESIDENT AND THAT WAS FINE WITH ME.

Q DID YOU HAVE ANY PROBLEM WITH THAT?

A I DID NOT.

Q I NOTED THAT WHEN MR. DURANT WAS ASKING YOU SOME QUESTIONS YESTERDAY, MR. DURANT ASKED YOU ABOUT THE FACT THAT YOU OPENED THE CHECKING ACCOUNT AT CAROLINA FIRST AND YOU HAD THE SIGNATORY AUTHORITY ON THAT ACCOUNT, IS THAT CORRECT?

A THAT'S CORRECT.

Q AND YOU MADE A STATEMENT -- YOU STARTED MAKING A STATEMENT YESTERDAY THAT ELLIS DIDN'T WANT HIS NAME ON ANYTHING AT CAROLINA FIRST. DO YOU KNOW WHY DID ELLIS TOLD YOU HE DIDN'T WANT HIS NAME ON ANYTHING AT CAROLINA FIRST?

A I DON'T KNOW ANYTHING OTHER THAN HE JUST SAID HE

JUST DIDN'T WANT TO PUT HIS NAME ON THE CHECKING ACCOUNT.

Q DID YOU HAVE A PROBLEM WITH HIM BEING A SIGNATORY ON THE CHECKING ACCOUNT?

A I DID NOT.

Q BUT HE AFFIRMATIVELY, SPECIFICALLY, TOLD YOU HE DIDN'T WANT TO HAVE CHECKING ACCOUNT AUTHORITY?

A THAT'S CORRECT.

Q DID YOU EVER DENY HIM ACCESS TO ANY RECORDS OR THE CHECKBOOK DEALING WITH THE MONEY IN AND OUT OF A&E?

A NO, MA'AM.

Q DID HE EVER ASK YOU TO SEE ANY OF THE PAPERWORK, THE CHECKING ACCOUNT LEDGERS, THE MONTHLY CHECKING ACCOUNT STATEMENTS? DID HE EVER ASK YOU TO SEE ANY OF THAT INFORMATION?

A NO, MA'AM.

Q DO YOU KNOW IF HE EVER ASKED CARRIE IF HE COULD SEE ANY INFORMATION, JOB LEDGERS OR ANYTHING ON THE COMPUTER?

A I AM GOING TO BACK UP ON THAT QUESTION THAT YOU ASKED ME BECAUSE YOU SAID "EVER". THAT'S A LONG PERIOD OF TIME. SO, HE DIDN'T ASK IN 2008 OR WHATEVER THAT YEAR WAS. I CAN PUT IT ON A LETTER, BUT HE WROTE A LETTER TO ME. I'M NOT

SURE OF THE DATE. YOU CAN GET ANYTHING YOU WANTED AT THAT TIME. THAT'S THE FIRST TIME HE HAS EVER ASKED ME ANY QUESTIONS AND I'M NOT SURE OF THE DATE. IT COULD HAVE BEEN LIKE I SAID, IN 2007 OR I COULD HAVE BEEN 2008. I DON'T REMEMBER EXACTLY.

Q BUT OTHER THAN BEFORE THAT TIME 2007 OR 2008 -- MR. DURANT HAS PUT THAT INTO EVIDENCE AND I'M GOING TO ASK YOU ABOUT THAT IN JUST A MINUTE OR WHEN WE COME BACK FROM LUNCH. OTHER THAN THAT TIME, DO YOU REMEMBER PRIOR TO THAT MR. SMITH EVER ASKING YOU FOR ANY DOCUMENTATION OR TO SEE ANYTHING THAT YOU DENIED HIM?

A NO, MA'AM.

Q DO YOU REMEMBER HIM EVEN ASKING TO LOOK AT ANYTHING.

A NO, MA'AM.

Q DID HE EVER BEFORE WHENEVER THIS SERIES OF LETTERS IN EVIDENCE OCCURRED, DO YOU REMEMBER HIM EVER QUESTIONING YOU ABOUT HOW MUCH MONEY DO WE HAVE? HOW MUCH DO WE MAKE ON THIS JOB? ANYTHING OF THAT NATURE?

A NO, MA'AM.

Q DID YOU EVER OBSERVE MR. SMITH LOOKING AT ANY INFORMATION ON THE COMPUTER OR THE JOB LEDGERS,

THE ACTUAL JOB FILES?

A NO, MA'AM.

Q THE JOB FILES THEMSELVES, THE ACTUAL PAPERWORK PART OF WHICH Y'ALL HAVE GONE BACK THROUGH INVOICES AND STUFF LIKE THAT, IS THAT KEPT IN A FILE?

A IT'S KEPT IN THE FILE CABINET. IT'S LISTED UNDER THE JOB REFERENCED. WHATEVER JOB IT IS.

Q AT THE TIME YOU AND MR. SMITH WERE RUNNING A&E FROM 2004 TO WHEN HE LEFT IN '07, WERE THOSE FILE CABINETS LOCKED UP?

A NO, MA'AM.

Q DID MR. SMITH HAVE A KEY TO THE OFFICE?

A HE DID.

Q DID YOU EVER DENY HIM ACCESS TO THE A&E OFFICE?

A NO, MA'AM.

Q DO YOU KNOW IF HE WENT IN THE OFFICE AT TIMES WHEN YOU WEREN'T PRESENT?

A I'M NOT SURE IF HIM SPECIFICALLY, BUT I KNOW THAT THERE ARE TIMES WHEN I WOULD COME BACK TO OFFICE AND WE HAVE GOT A HABIT OF HOW WE LOCK UP THE BUILDING AND IT WAS NOT LOCKED THE SAME. WHEN I SAY THAT THE DEAD BOLT MAY BE LOCKED BUT THE INTERIOR LOCK WAS NOT TURNED. SO, I KNEW SOMEONE HAD BEEN IN. IT WASN'T A BIG DEAL TO

ME. IT HAD TO BE SOMEONE INSIDE THE COMPANY THAT HAD A KEY AND THAT HAD TO BE MYSELF. MY DAUGHTER, BETH, HAD A KEY. CARRIE HAD A KEY AND ELLIS HAD A KEY.

Q DID YOU HAVE ANY PROBLEM WITH ELLIS BEING IN THE OFFICE WITHOUT OTHER PEOPLE BEING THERE?

A NO, I DID NOT.

Q DID YOU HAVE ANY PROBLEM WITH HIM LOOKING AT ANYTHING WHETHER ON THE COMPUTER OR IN THE OFFICE?

A I DID NOT.

Q DID YOU EVER DENY HIM ACCESS TO ANYTHING?

A I DID NOT.

Q DID HE EVER ASK YOU ABOUT ANY OF THAT INFORMATION?

A HE DID NOT.

Q AND IN TERMS OF INFORMATION FOR A&E THAT WAS COMPUTERIZED, WHO WAS IN CHARGE OF INPUTTING AND OUTPUTTING THAT COMPUTERIZED INFORMATION?

A CARRIE.

Q WHAT IS CARRIE'S LAST NAME?

A DREWETT.

Q CARRIE DREWETT HAD WORKED FOR YOU AND WORKED FOR ARTHUR VEREEN CONSTRUCTION FOR A NUMBER OF YEARS BEFORE YOU AND ELLIS STARTED A&E, IS THAT

CORRECT?

A THAT'S CORRECT.

Q DID YOU, ONCE YOU STARTED A&E, GIVE ANY SPECIFIC DIRECTIONS TO CARRIE ABOUT HOW TO INPUT OR OUTPUT INFORMATION DEALING WITH A&E?

A NO.

Q DID YOU EVER INPUT OR GET OUTPUT FROM THE COMPUTER SYSTEM?

A ME PERSONALLY?

Q YES.

A NO.

Q IF YOU NEEDED A REPORT RUN OR ANYTHING, WHAT WOULD YOU DO TO GET IT OUT OF THE COMPUTER SYSTEM?

A SOMEONE ELSE WOULD HAVE TO DO IT AND THAT WOULD BE CARRIE DREWETT BECAUSE I HAD NO IDEA HOW TO DO IT.

Q AND THE TYPES OF THINGS THAT WERE KEPT ON THE COMPUTER SYSTEM, ARE YOU FAMILIAR WITH THAT GENERALLY WITH THOSE TYPES OR REPORTS OR INFORMATION?

A NO.

Q DO YOU KNOW IF A GENERAL LEDGER FOR THE A&E COMPANY WAS KEPT ON THE COMPUTER?

A IT WAS.

Q DID YOU KNOW IF A GENERAL LEDGER FOR ARTHUR VEREEN CONSTRUCTION WAS KEPT ON THE COMPUTER WHEN YOU WERE DOING BUSINESS AS ARTHUR VEREEN BEFORE A&E?

A IT WAS.

Q DO YOU KNOW IF IN THE COMPUTER SYSTEM JOB LEDGERS FOR EACH PARTICULAR JOB OF A&E WERE KEPT?

A WELL, SOMETIMES SOME OF THE PARTICULAR JOBS MAY NOT BE IDENTIFIED 'CAUSE THEY MAY BE A SMALLER TYPE OF JOB AND MAY JUST GO UNDER -- THAT'S ANOTHER THING; SOMETIMES WE WOULD POST UNDER A SHOP AND OFFICE JOB IF IT WAS A SMALL JOB. WHEN I SAY, YOU KNOW, A SEVERAL THOUSAND DOLLARS JOB, IT COULD ALWAYS POST UP BECAUSE WE WOULD IDENTIFY THOSE SMALL JOBS. SO, THAT'S WHAT COMES INTO PLAY. IT'S HARD TO IDENTIFY SOMETIMES EXACTLY WHAT THOSE JOBS WERE, BUT IN GENERAL, YES. THEY WOULD SHOW UP.

Q ON THE COMPUTER FOR A&E, WOULD THERE BE SOME KIND OF LEDGER FOR ACCOUNTS RECEIVABLE FOR MONEY THAT WAS OWED TO A&E?

A YES.

Q WOULD THERE BE SOME KIND OF ACCOUNTS PAYABLE OF WHAT A&E OWNED?

A YES.
Q IS THAT ALSO HOW IT WORKED WHEN YOU HAD ARTHUR VEREEN CONSTRUCTION?
A YES, MA'AM.
Q AND AS I UNDERSTAND IT, ONE OF THOSE ACCOUNTS WOULD HAVE BEEN THE -- WHAT YOU CALL THE OFFICE ACCOUNT?
A THAT'S CORRECT.
Q AND YOU WOULD PUT -- PUT UNDER THAT ACCOUNT WOULD BE LABOR AND MATERIALS THAT ACTUALLY WERE SPENT IN RENOVATING OR UP-FITTING OR IMPROVING THE OFFICES WHERE A&E WORKED, IS THAT CORRECT?
A THAT'S CORRECT.
Q BUT YOU ALSO -- IF CARRIE, WHO INPUTTED THE INFORMATION INTO THE COMPUTER SYSTEM, IF THE GUYS WERE DOING A JOB ON WILLOUGHBY PLACE, BUT THEY ACTUALLY WERE ON-SITE BUILDING CABINETS OR SOMETHING, THEY WEREN'T BUILDING THEM AT WILLOUGHBY PLACE, THEY WERE BUILDING THEM IN YOUR WAREHOUSE AND THEY SIGNED THERE TIMECARD, AS I UNDERSTAND IT, THAT TIME CARRIE INPUTTED, AS YOU UNDERSTAND IT, INTO THE PARKWAY OFFICES ACCOUNT, NOT ASSIGNED IT TO THE WILLOUGHBY JOB?
A THAT'S CORRECT BECAUSE IT DOESN'T SHOW WILLOUGHBY. IT JUST SHOWS THE OFFICE OR SHOP

AND THAT'S WHERE SHE WOULD POST IT.

Q AND THAT PARTICULAR JOB OR JOB LEDGER WAS KIND OF LIKE A MISCELLANEOUS FILE, LIKE I DO IN MY OFFICE? LIKE IF I JUST TAKE CARE OF SOMEBODY'S PARKING TICKET OR SPEEDING TICKET, I MAY NOT ...

MR. DURANT: SHE NEEDS TO ASK HIM, DO YOU KNOW, SHE CANNOT TESTIFY FOR HIM.

MS. COOK: YOUR HONOR, I'M ON CROSS EXAM.

JUDGE HOWE: NO. YOUR NOT. HE'S YOUR WITNESS.

MS. COOK: HE WAS CALLED AS A HOSTILE WITNESS.

JUDGE HOWE: YOUR HONOR, I DON'T THINK THAT'S HOW THAT WORKS.

MS. COOK: SO I WILL BE CROSS EXAMINING HIM, RIGHT?

JUDGE HOWE: SHE IS NODDING HER HEAD, YES.

MR. DURANT: YOUR HONOR, I THINK SHE CAN CHOOSE TO PUT UP HER DEFENSE, HOWEVER.

JUDGE HOWE: THAT'S RIGHT.

OFF THE RECORD.

CROSS EXAMINATION BY MR. THOMAS:

Q YOU CHARACTERIZE THIS AS ACCOUNTING SOMETHING ON TWO OCCASIONS. WHAT IS IT THAT YOU CALLED IT?

A ASSETS ACCOUNTING DISTURBANCE?

Q I LOST THAT ARGUMENT AND I THINK I'LL ASK YOUR BOOKKEEPER THAT CARRIE KEPT THE BOOKS FOR ALL THESE COMPANIES, IS THAT RIGHT?

A THAT'S CORRECT.

Q HAS SHE BEEN WITH YOU FOR A NUMBER YEARS?

A SHE HAS.

Q DO YOU TAKE THE POSITION SHE IS COMPETENT OR INCOMPETENT AS A BOOKKEEPER?

A I'M KIND OF TAKING THE POSITION RIGHT NOW SHE'S NOT AS COMPETENT AS I THOUGHT SHE WAS.

Q I'M IN THE MIDDLE.

A I'M KIND IN THE MIDDLE.

Q THAT'S ALL I HAVE.

SUSAN ELVIS BRADY, HAVING BEEN DULY SWORN, TESTIFIED AS FOLLOWS:

DIRECT EXAMINATION BY MR. DURANT:

A MY NAME IS SUSAN ELVIS BRADY, B-R-A-D-Y.

2004 NOTEBOOK BY MRS. BRADY
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "1".

2005 NOTEBOOK BY MRS. BRADY

MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "2".
2006 NOTEBOOK BY MRS. BRADY
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "3".
2007 NOTEBOOK BY MRS. BRADY
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "4".
ADJUSTMENTS BY MRS. BRADY
MARKED FOR IDENTIFICATION
AND INTRODUCED INTO EVIDENCE
AS PLAINTIFF'S EXHIBIT "5".

Q MRS. BRADY, GIVE ME YOUR EDUCATIONAL BACKGROUND?

A I GRADUATED FROM THE UNIVERSITY OF SOUTH CAROLINA IN 1984, WITH A BUSINESS DEGREE IN MARKETING AND MANAGEMENT. WENT BACK TO SCHOOL IN 1991 AT COASTAL CAROLINA COLLAGE, TOOK ACCOUNTING AND LAW COURSES AND THEN TOOK THE CPA EXAM IN 1993, I BELIEVE, AND WAS CERTIFICATED AS A CPA IN 1995.

Q WHAT DOES A CERTIFICATED PUBLIC ACCOUNTANT DO?

A WIDE RANGE. WE DO BOOKKEEPING, INCOME TAX

RETURNS, AUDITS, REVIEWS. I PERSONALLY DON'T DO AUDITS AND REVIEWS. I DO COMPILATIONS AND INCOME TAX RETURNS, BUSINESS, PERSONAL. SOMETIMES WE DO BUSINESS CONSULTING SETTING UP BUSINESSES.

Q DO YOU HAVE TO TAKE A TEST AFTER YOU GRADUATE COLLEGE TO OBTAIN THE DESIGNATION OF A CPA?

A YES, SIR.

Q WHO IS THE ENTITY THAT CERTIFIES YOU WHEN YOU TAKE THE TEST?

A I GUESS, IT WOULD BE THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS IS WHO ACTUALLY ADMINISTERS THE TEST. YOU'RE LICENSED BY THE STATE.

Q CORRECT. AND THE AMERICAN ASSOCIATION ACTUALLY CREATES THE STANDARDS GOVERNING YOUR CONDUCT AND HOW YOU DO YOUR WORK?

A YES, SIR.

Q AND YOU ARE LICENSED BY THE STATE OF SOUTH CAROLINA TO PERFORM THESE SERVICES?

A YES, SIR.

Q NOW, THE STATE OF SOUTH CAROLINA LICENSES PEOPLE AS A ACCOUNTANT, I BELIEVE. WHAT OTHER TYPES OF LICENSES CAN YOU GET IN THE ACCOUNTING ARENA? DO YOU UNDERSTAND THE QUESTION?

A NO, SIR.
Q YOU CAN BE LICENSED AS A CPA, CORRECT? THAT REQUIRES THE PASSINGS OF THAT TEST AND YOU CAN BE LICENSED AS AN ACCOUNTANT, CORRECT?
A YES. AND I PROBABLY CAN'T TESTIFY BECAUSE A LOT OF THINGS HAVE CHANGED WITH THE LAW. AS FAR AS I THINK, YOU CAN BE A CERTIFIED BOOKKEEPER. THEY ARE CHANGING A LOT OF THAT, ESPECIALLY FOR THE TAX RETURN PURPOSES AND I'M NOT EXACTLY SURE WHAT ALL THE DESIGNATIONS TO BE CORRECT ARE UNDER THE CPA LEVEL, BUT THERE ARE SOME BOOKKEEPING CLASSIFICATIONS.
Q THIS LICENSE, THE CPA LICENSE, ALLOWS YOU TO PRACTICE ACCOUNTING WITH MEMBERS OF THE PUBLIC?
A YES, SIR.
Q AND YOU PROVIDE ACCOUNTING SERVICES TO CORPORATIONS AS WELL AS INDIVIDUALS?
A YES, SIR.
Q IS THERE ANY LIMITATION ON WHAT YOU CAN DO WITH YOUR LICENSE?
A NOT TO MY KNOWLEDGE. NOT IN THE STATE OF SOUTH CAROLINA.

MR. DURANT: YOUR HONOR, I OFFER HER AS A EXPERT WITNESS IN THE FIELD OF ACCOUNTING.

JUDGE HOWE: MS. COOK.

CROSS EXAMINATION BY MS. COOK:

Q MRS. BRADY, YOU PASSED THE CPA EXAM IN '93, DID I UNDERSTAND YOUR TESTIMONY CORRECT?

A I SAID I THINK IT WAS '93, BUT I'M NOT SURE.

Q MY UNDERSTANDING IS THAT THERE ARE NUMEROUS PARTS OF A CPA EXAM?

A YES, MA'AM.

Q DID YOU EVER FAIL ANY OF THE PARTS OF THE CPA EXAM?

A THE FIRST YEAR I TOOK IT THERE WERE FIVE PARTS AND I PASSED ONE, AND UNDER THE GUIDELINES OF THE ASCPA, IF YOU DON'T PAST TWO, YOU DO NOT GET CREDIT FOR ANY OF THEM.

Q SO THE FIRST TIME YOU TOOK IT YOU FAILED FOUR OF THE FIVE?

A CORRECT.

Q AND YOU THEN TOOK IT AGAIN?

A YES, MA'AM.

Q WERE THERE FIVE PARTS THE SECOND TIME?

A THERE WERE FOUR PARTS THE SECOND TIME.

Q AND HOW MANY OF THOSE DID YOU FAIL, IF ANY?

A ZERO.

Q SO YOU PASSED ALL FOUR OF THOSE?

A YES.

Q AND IT'S AS A RESULT OF TAKING THE EXAM THE SECOND TIME AND PASSING ALL OF THOSE PARTS, YOU PASSED THE EXAM, BUT THEN YOU WERE NOT CERTIFIED UNTIL '95. IS THERE A WORK TIME PERIOD OR INTERNSHIP?

A YES, MA'AM. SO I WILL SAY AS FAR AS THE FIRST TIME PASSING THE FOUR, I MEAN, FAILING THE FOUR AND THE SECOND TIME PASSING ALL FOUR, THE PASS RATE AT THAT TIME WAS 4% OF THE PEOPLE WHO TAKE IT PASS ALL FOUR PARTS. I THINK IT'S 2000 HOURS IF IT STILL STANDS AT THAT POINT. YOU HAD TO HAVE 2000 HOURS OF WORK, BUT YOU ALSO HAD TO HAVE 400 HOURS OF AUDITING, WHICH I BELIEVE IS DIFFERENT NOW.

Q AND YOU DESCRIBED SOME OF THE TASKS THAT ACCOUNTANTS DO AND YOU SAID BOOKKEEPING, INCOME TAX RETURNS, AUDITS, REVIEWS, COMPILATIONS AND THEN YOU WENT OVER -- THAT'S WHAT I WROTE DOWN. AND YOU SAID YOU DID AND DID NOT DO SOME PARTS OF THOSE. I WROTE DOWN THAT YOU SAID YOU DID COMPILATIONS, REVIEW ...

A I DO NOT DO REVIEWS. IT'S NOT THAT I CAN'T OR I'M NOT QUALIFIED, THAT'S NOT THE AREA OF WHAT I NORMALLY DO.

Q WHAT DO YOU NORMALLY DO?

A MY MAJOR RESPONSIBILITY IS INCOME TAX RETURNS, FINANCIAL STATEMENTS FOR CORPORATE AND PERSONAL IS JUST THE AREA I CHOOSE TO DO MORE WORK ON.

Q SO, OF YOUR TIME AS A CPA SINCE LICENSING IN '95, WHAT PERCENTAGE OF THE TIME WOULD YOU SAY YOU HAVE SPENT DOING INCOME TAX RETURNS AND PERSONAL AND CORPORATE FINANCIAL STATEMENTS?

A 80% TO 90% MAYBE.

Q NOW, WHAT ARE COMPILATIONS? I BELIEVE YOU SAID YOU DIDN'T DO COMPILATIONS?

A WHEN YOU DO A COMPILATION, YOU'RE COMPILING A FINANCIAL STATEMENT. A COMPILATION MEANS REVERSES IN AUDIT. WHEN YOU DO AN AUDIT, YOU HAVE TO GO IN -- THERE ARE RESTRICTIVE GUIDELINES. YOU HAVE TO GO PULL AN INVOICE, YOU HAVE TO GET THE ORIGINAL INVOICE, THE DATE ON IT. YOU HAVE TO GET A CANCELED CHECK. YOU HAVE TO GET THE BACK OF THE CHECK. YOU TRACE IT BACK TO THE BANK AND REVIEW AND AUDITS. SO, A CPA ACTUALLY TAKES A FINANCIAL RESPONSIBILITY. SO, IT'S A LARGE SAMPLE AND EXTENSIVE REVIEW THAT ALL THE INVOICES WERE CORRECT. THEY WERE FOR THE JOB. THEY CLEARED THE BANK. THEY CLEARED THE CORRECT BANK.

Q WOULD IT BE FAIR TO SAY IN TERMS OF HIERARCHY OF

THE IN-DEPTH ACCOUNTING WORK, WHAT IS MORE STRINGENT, AN AUDIT OR A REVIEW?

A AN AUDIT WOULD BE MORE ...

Q MOST STRINGENT.

A ... MORE STRINGENT AS FAR AS REVIEWING THE BOOKS.

Q WOULD A REVIEW COME AFTER THAT?

A YES.

Q THAT'S THE NEXT STEP DOWN SO TO SPEAK?

A YES.

Q WHAT'S THE NEXT STEP AFTER A REVIEW?

A COMPILATION.

Q AND WOULD YOU EXPLAIN TO ME THE DIFFERENCE IN A COMPILATION AND A REVIEW?

A I CAN EXPLAIN TO YOU MORE OF A COMPILATION. REVIEWS I DON'T DO AS MUCH SO I DON'T WANT TO GET INTO THAT AREA AND PRETEND TO BE AN EXPERT ON REVIEWS.

Q OKAY. EXPLAIN TO ME THE COMPILATION?

A A COMPILATION IS YOU ARE COMPILING A CLIENT'S INFORMATION, PUTTING IT TOGETHER. YOU LOOK FOR WHAT IS REASONABLE. YOU DON'T GO IN AND AUDIT. IF YOU HAVE RECEIPTS, YOU TAKE THOSE RECEIPTS. YOU'RE NOT SAYING THAT YOU STAND BEHIND THEM. THIS IS AN EXPENSE OR THIS IS A LEGITIMATE

EXPENSE. IF IT LOOKS -- IN YOUR REALM OF EXPERIENCE, IF IT LOOKS LIKE IT COULD BE AN EXPENSE OR IF COULD BE A PAYABLE, YOU USE YOUR JUDGMENT.

Q YOU ACCEPT THAT AS BEING TRUE?

A YES. I MEAN, IF IT IS WITHIN GUIDELINES YOU GO THROUGH. IF THE INVOICE WAS PAID IN THE RIGHT ACCOUNT OR IT WAS NOT.

Q SO YOU DO COMPILATIONS?

A YES, MA'AM.

Q WHAT DO YOU UNDERSTAND THE TERM, A BUSINESS ACCOUNTING TO MEAN?

A DO I UNDERSTAND -- I THINK THAT'S A BROAD TERM.

Q WHAT DO YOU UNDERSTAND IT TO MEAN AS A CPA?

A I'M NOT SURE. I THINK IT WOULD DEPEND ON THE SITUATION OF WHAT YOU'RE TALKING ABOUT. I DON'T KNOW IF I COULD GIVE YOU A DEFINITION.

JUDGE HOWE: IS THAT A TERM OF ART IN ACCOUNTING OR NOT?

Q IF A BUSINESS CAME IN TO YOU AND NEEDED TO HAVE AN ACCOUNTING OF THEIR BUSINESS PERFORMED, AS A CPA, WHAT DOES THAT MEAN TO YOU?

A I'VE NEVER HAD ANYONE ASK ME TO DO AN ACCOUNTING OF THE BUSINESS IN THOSE WORDS.

Q HAVE YOU EVER DONE AN ACCOUNTING OF A BUSINESS?

A I'M NOT EXACTLY SURE OF THE QUESTION HERE. I MEAN, I KNOW, LIKE, HERE I WENT THROUGH -- I DID -- I DID A REVIEW OF THE BOOKS, NOT A REVIEW REPORTS, BUT I DID REVIEW THE ACCOUNTING HERE FOR THIS CASE. IT'S NOT A NORMAL SITUATION WHERE SOMEONE COMES IN AND SAYS, "CAN YOU DO AN ACCOUNTING OF THE BOOKS?" SO, IT'S JUST KIND OF A BROAD QUESTION.

Q HAVE YOU EVER BEEN HIRED BY ANYONE TO DO A FORENSIC ACCOUNTING OF A BUSINESS?

A I HAVE DONE -- I WAS HIRED BY A&E TO DO A FORENSIC OF...

Q OTHER THAN A&E, HAVE YOU EVER BEEN HIRED BY ANYONE TO DO FORENSIC ACCOUNTING OF A BUSINESS?

A OF THE BUSINESS, NO. I'VE DONE TWO LITIGATIONS, BUT NOT A FORENSIC REVIEW OF THE WHOLE BUSINESS.

Q WOULD THIS BE ONE OF THOSE LITIGATION SITUATIONS?

A NO, MA'AM.

Q TWO OTHERS?

A YES.

Q HAVE YOU EVER DONE A REVIEW OF A BUSINESS? AN ACCOUNTING REVIEW?

A HAVE I ISSUED A REVIEW REPORT?

Q HAVE YOU EVER DONE AN ACCOUNTING REVIEW OF A

BUSINESS?

A I DON'T WANT TO BE VAGUE TO YOUR QUESTION, BUT IF I HAD DONE A REVIEW REPORT, THAT'S A DIFFERENCE THAN A -- NORMALLY A PERSON WOULD SAY A REVIEW.

Q I'M ASKING YOU AS A CPA. SOMEONE WHO HAS BEEN OFFERED AS AN EXPERT IN ACCOUNTING. IF YOU HAVE DONE AN ACCOUNTING REVIEW AS YOU UNDERSTAND A CPA'S TERM OF ART, REVIEW TO BE?

A NO. AS I TESTIFIED EARLIER, I HAVE NEVER DONE A REVIEW REPORT.

Q HAVE YOU EVER DONE AN ACCOUNTING OF A BUSINESS?

A I'VE DONE LOTS OF ACCOUNTINGS OF BUSINESSES.

Q THE ACCOUNTING OF THE BUSINESS -- I'M SORRY. AUDIT. I USED THE WRONG TERM. HAVE YOU EVER DONE A FORENSIC AUDIT OF A BUSINESS?

A FORENSIC AUDIT?

Q UH-HUH. (AFFIRMATIVE RESPONSE.)

A I CAN'T SAY THAT I HAVE.

Q HAVE YOU EVER DONE, NOT A FORENSIC AUDIT, WHICH WOULD TAKE PLACE AFTER THE FACT, BUT HAVE YOU AUDITED A BUSINESS?

A YES. AS I WAS SAYING EARLIER, I HAD TO HAVE 400 HOURS TO GET LICENSED BY THE STATE OF SOUTH CAROLINA.

Q WHEN IS THE LAST TIME YOU DID AN AUDIT OF A BUSINESS?
A I BELIEVE IT WAS A&E.
Q OTHER THAN A&E, WHEN WAS THE LAST TIME THAT YOU DID AN AUDIT OF A BUSINESS?
A PROBABLY -- I CAN'T RECALL. IT'S PROBABLY BEEN A COUPLE YEARS BEFORE THAT. LIKE I SAY, THAT'S NOT MY PRIMARY BUSINESS.
Q HAVE YOU EVER ISSUED AN AUDIT REPORT UNDER YOUR SIGNATURE?
A I DON'T ISSUE UNDER MY SIGNATURE AT ALL.
Q HAVE YOU EVER ASSISTED ANYONE THAT DID AN AUDIT REPORT?
A YES.
Q BUT YOU DIDN'T SIGN IT?
A NO. USUALLY THE FIRM WILL SIGN THE ...
Q YOU SAID THE LAST TIME YOU DID AN AUDIT WAS A&E. DID YOU DO AN ACCOUNTING AUDIT OF A&E?
A I DID THE AUDIT INITIALLY WHEN THEY WERE FORMED FOR THEM TO GET THEIR CONTRACTORS LICENSE.
Q OKAY. AND THAT WOULD HAVE BEEN IN OCTOBER OF '03?
A I THINK IT WAS JANUARY OF 2004.
Q AND THEY WERE FORMED ON OCTOBER 28TH, 2003, IS THAT CORRECT?

A I DON'T HAVE THE DOCUMENTS OF THE AUDIT IN FRONT OF ME TO CONFIRM THAT, BUT IT SOUNDS CLOSE.

Q HOW IS AN INITIAL AUDIT OF A CPA -- OF A NEW BUSINESS DIFFERENT THAN AN AUDIT, A CPA'S AUDIT OF AN EXISTING ONGOING BUSINESS THAT HAS BEEN IN BUSINESS FOR SAY A YEAR?

A THERE'S NOT A WHOLE LOT OF DIFFERENCE. THEY'RE EASIER, BUT -- IN A WAY, YOU STILL HAVE ALL THE STRICT GUIDELINES BECAUSE YOU STILL HAVE TO DO THE SAME PROCEDURES WHETHER IT'S AN INITIAL AUDIT OR IT'S A BUSINESS THAT'S BEEN GOING FOR 10 OR 15 YEARS.

JUDGE HOWE: THANK YOU, MR. DURANT HAS OFFERED MRS. BRADY AS A EXPERT IN THE AREAS OF ACCOUNTING/CERTIFIED PUBLIC ACCOUNTANT. DO YOU HAVE ANY OBJECTION?

MS. COOK: YES. I DO.

JUDGE HOWE: THE STATE OF SOUTH CAROLINA HAS SEEN FIT TO LICENSE HER AS A CERTIFIED PUBLIC ACCOUNTANT. I OVERRULED THE OBJECTION.

MS. COOK: YES, MA'AM.

JUDGE HOWE: YOU CERTAINLY MADE CROSS EXAMINER.

RE-DIRECT EXAMINATION BY MR. DURANT:

Q MRS. BRADY, HOW LONG HAVE YOU PRACTICED AS A CPA IN THE MYRTLE BEACH AREA?
A IT WOULD BE SINCE 1993.
Q WHERE HAVE YOU WORKED?
A I WORKED WITH MORGAN LEWIS & COMPANY FROM '93 TO '95. IN '95 I LEFT WITH ONE OF THE PARTNERS THERE TO JOIN ANOTHER FIRM, KING AND GODBOLD, 'TIL '97 AND THEN I WENT TO WORK WITH BARTLETT BUIE, CPA, PA.
Q AND YOU HAVE BEEN THERE SINCE?
A '97.
Q YOU HAVE BEEN PRACTICING AS A CPA SINCE THAT TIME?
A YES, SIR.
Q YOU HAVE A WIDE VARIETY OF THINGS YOU DO IN THE ACCOUNTING FIELD?
A YES, SIR.
Q DEPENDING ON THE DEMANDS OF YOUR CLIENTS?
A CORRECT.
Q YOU KNOW MR. ELLIS SMITH?
A YES, I DO.
Q HAVE YOU PERFORMED ACCOUNTING SERVICES FOR HIM?
A YES.
Q DOES IT MAKE ANY DIFFERENCE WHETHER I ASK YOU WHEN YOU PERFORMED CERTIFIED PUBLIC ACCOUNTING

FOR HIM OR ACCOUNTING? THEY ARE THE SAME, ARE THEY NOT?

A THEY ARE THE SAME. JUST LIKE LAWYERS CHOOSE TO GO IN DIFFERENT AREAS. I JUST DON'T CHOOSE TO DO AUDITING REVIEWS IF I DON'T HAVE TO. I DID THE AUDIT 'CAUSE IT'S A CLIENT THAT HAD ALREADY ASKED ME TO DO IT. I JUST CHOOSE TO DO MORE IN THE COMPILATION INCOME TAX AREA.

Q HOW LONG HAVE YOU BEEN PROVIDING SERVICES TO MR. SMITH OR ANY OF HIS COMPANIES?

A I THINK I STARTED WITH MR. SMITH WHEN I WAS AT KING AND GODBOLD. SO, THAT WOULD HAVE PROBABLY BEEN SINCE '95.

Q DID YOU PROVIDE ACCOUNTING SERVICES TO E. SMITH AND SONS, AN ENTITY THAT IS THE NAMED DEFENDANT?

A YES, SIR.

Q AND ALSO TO EES, THE NAMED DEFENDANT?

A YES, SIR.

Q DID YOU EVER PROVIDE ANY SERVICES TO THE PLAINTIFF A&E?

A YES, SIR.

Q WHEN SHE ASKED YOU QUESTIONS ABOUT THIS INITIAL AUDIT, COULD YOU EXPLAIN WHAT YOU WERE SPECIFICALLY ASKED TO DO AS TO LICENSURE WHEN YOU PERFORMED THAT?

A THE AUDIT THAT WE DID FOR A&E, I DID EXACTLY AS THE STATE OF SOUTH CAROLINA REQUIRES I DO. THERE MIGHT HAVE BEEN SOME CONFUSION WHEN I SAID IT WAS A LITTLE BIT DIFFERENT WHEN, YOU KNOW, YOU HAVE LESS WORK. A NEW ENTITY DOESN'T HAVE ALL THE MASSIVE AMOUNT OF WORK; THE CHECKS, THE RECEIPTS AND ALL THAT TO GO THROUGH. I DID HAVE TO DO A&E LIKE I DID ANY OTHER AUDIT.

Q WAS THIS A AUDIT FOR PURPOSES OF DETERMINING NET WORTH TO GET A LICENSE?

A YES, SIR. TO GET THEIR BUILDERS LICENSE.

Q DO YOU PERFORM THAT AUDIT BASED UPON A PARCEL OF LAND THAT WAS TRANSFERRED TO A&E FOR PURPOSES OF THAT LICENSE?

A YES. THAT LAND AND A BANK ACCOUNT.

Q SO YOU CERTIFIED NET WORTH BASICALLY TO THE STATE?

A CORRECT.

Q AND YOU WERE ASKED TO DO THAT BY THE COMPANY A&E?

A YES. I VERIFIED THESE ASSETS WERE INTO A CORPORATION THAT WAS 50% OWNER OF EACH SHAREHOLDER.

Q WERE YOU INITIALLY SUPPOSED TO BE THE ACCOUNTANT FOR THE COMPANY A&E?

A YES, SIR.
Q DURING THIS TIME, YOU DID MR. SMITH'S WORK AND A LOT OF OTHER WORK. WAS THERE EVER AN OCCASION WHERE YOU HAD CONCERN, CONCERNING WHAT WAS GOING ON WITH A&E?
A YES, SIR. WHEN HE BROUGHT THE TAXES ...
Q WHEN YOU SAY "HE" WHO?
A I'M SORRY. ELLIS SMITH BROUGHT IN THE -- I BELIEVE IT WAS PAPER, THE MONTHLY GENERAL LEDGERS FOR 2004.
Q WHEN WOULD THIS HAVE BEEN?
A I'M GOING TO SAY LATE 2005. I DON'T HAVE THOSE RECORDS HERE. I REMEMBER IT WAS LATER BECAUSE MR. SMITH HAD USUALLY ALWAYS FILED HIS TAXES BEFORE THE DUE DATE. I THINKING, BUT I CAN'T ANSWER THAT FOR SURE. I'M SORRY.
Q HE BROUGHT THE PAPER LEDGER TO YOU, THE GENERAL LEDGER?
A THE MONTHLY GENERAL LEDGERS THEY HAD PRINTED OFF FROM THEIR COMPUTER. HE BROUGHT TO ME TO BEGIN THE COMPILATION FOR THE INCOME TAX RETURN.
Q WHAT CONCERN DID YOU HAVE?
A I HAD A LOT OF CONCERN. THERE WERE A LOT OF WHAT LOOKED TO BE MISAPPROPRIATION OF FUNDS. I WASN'T SURE. I TOLD MR. SMITH THERE WERE

SEVERAL CHECKS WRITTEN TO WAYNE VEREEN PERSONALLY THAT I DIDN'T KNOW HOW TO CODE THEM. I DIDN'T KNOW WHAT THEY WERE FOR. SO, WHAT I DID WAS MAKE A LIST OF NOTES. THERE WERE BANK -- OR LOAN PAYMENTS I THINK TO FIRST PALMETTO AND THERE WERE NO LOANS ON THE BOOKS.

Q NO LOANS ON THE BOOKS OF A&E?

A A&E, CORRECT. I SAW THERE WERE BANK PAYMENTS BUT THERE WERE NO LOANS. THERE WERE RENT PAYMENTS, WHICH I DIDN'T UNDERSTAND WHY THERE WERE RENT PAYMENTS WHEN I DID THE AUDITS. THE OFFICE BUILDING WAS IN THE NAME OF A&E. IT WAS OWNED BY A&E. SO, I JUST GAVE MR. SMITH A LIST OF QUESTIONS AND SAID, "WHY DON'T YOU GO BACK AND YOU TALK TO MR. VEREEN AND HELP ME TO CLEAR SOME OF THIS UP BECAUSE I DON'T KNOW HOW TO GO FORWARD. I DON'T KNOW. IT LOOKS LIKE THERE IS SOME PERSONAL EXPENSE AND I CAN'T ..."

Q ARE SOME OF THESE THE THINGS THAT WE HAVE BEEN TALKING ABOUT TODAY WRITTEN OUT OF THE ACCOUNT DURING THE CALENDAR YEAR 2004?

A YES, SIR.

Q AND YOU HAD SOME CONCERNS THAT THESE WEREN'T BUSINESS EXPENSES?

A CORRECT. AND I WASN'T SURE HOW TO PUT THEM ON

THE BOOKS, AS A NOTE TO THE SHAREHOLDER. I WANTED TO MAKE SURE THOSE SHAREHOLDERS KNEW.

Q IN OTHER WORDS, SO THAT BOTH SHAREHOLDERS WOULD KNOW IF SOMEONE HAD PAID MONEY TO THEMSELVES OTHER THAN THE BUSINESSES?

A CORRECT.

Q SO YOU GAVE THAT LIST TO MR. SMITH. WHAT HAPPENED AFTER THAT?

A TIME WENT BY, I NEVER HEARD FROM HIM AND I CALLED HIM A COUPLE TIMES AND SAID ...

Q CALLED WHO?

A I CALLED MR. SMITH AND ASKED HIM WHAT THE STATUS WAS, WHERE WERE WE? HE SAID HIM AND WAYNE -- HE WAS STILL WAITING ON SOME ANSWERS FROM WAYNE. HE WAS TALKING WITH HIM AND HE WOULD GET BACK TO ME. I THINK I MADE THAT CALL A COUPLE TIMES AND HE WAS STILL WAITING WAS HIS RESPONSE.

Q DID YOU EVER DO THE TAX RETURNS? DID YOU EVER TELL MR. SMITH THAT YOU WOULD NOT DO THE TAX RETURNS?

A YES, WE DID. THEY CAME TO ME, AND I'M SORRY AGAIN, I DON'T KNOW THE DATES WITHOUT THE PAPERS, BUT TO DO THE LITIGATION FOR THE TRADEMARK WITH WILLOUGHBY. THEY ASKED ME IF I WOULD DO THE WORK ON THAT PROJECT AND SO, AT

THAT TIME, I TOLD THEM I WOULD ACCEPT THAT, BUT I WANTED TO DECLINE FROM DOING THE INCOME TAX RETURNS AFTER TALKING WITH MY PARTNER, MARK BUIE. WE DECIDED THAT WE JUST WEREN'T COMFORTABLE WITH A LOT OF THINGS THAT WERE GOING ON IN THAT BUSINESS AND WE WOULD LIKE TO BACK DOWN FROM BEING THE ACCOUNTANT. IF HE WOULD TAKE THAT TO HIS OTHER ACCOUNTANT AND AGREE TO DO THAT, I WOULD DO THE LITIGATION.

Q YOU WERE HIRED AS AN EXPERT IN THE WILLOUGHBY CASE?

A YES, SIR.

Q BY A&E?

A CORRECT.

Q THAT WAS A LAWSUIT OVER UNLAWFUL USE OF PLANS BASICALLY?

A TRADEMARK.

Q WERE YOU ASKED TO DETERMINE HOW MUCH MONEY, IF ANY, A&E MADE ON THE WILLOUGHBY PLACE PROJECT?

A I'M TRYING TO THINK. I THINK THAT WAS MY MAIN DEAL THERE WAS TO GO THROUGH THE JOB EXPENSES. I WENT THROUGH THE JOB LEDGER AND WHAT WAS SPENT ON WILLOUGHBY AND WHAT THE MONEY -- WHAT WAS MADE ON WILLOUGHBY.

Q DID YOU TALK WITH MR. VEREEN AND MR. SMITH ABOUT

THOSE DISBURSEMENTS AND HOW MUCH MONEY, IF ANY, WAS MADE ON THAT PROJECT?

A YES. WE DID GO THROUGH THAT. I'M NOT SURE IF I TALKED TO MR. VEREEN, BUT I KNOW I TALKED TO MR. SMITH AND I HAVE TALKED WITH BETH SEVERAL TIMES. I CAN'T REMEMBER EXACTLY WHO ALL MY CONVERSATIONS ...

Q BETH MEANS MR. VEREEN'S DAUGHTER?

A BETH SISSON, CORRECT.

Q WHO WORKED FOR A&E?

A CORRECT.

Q DID YOU ISSUE ANY KIND OF FINAL REPORT IN THAT LIGATION OR DID THEY TAKE YOUR DEPOSITION?

A THEY DID TAKE MY DEPOSITION. AND I THINK THE FINAL REPORT WAS A LEGAL DOCUMENT THAT BASICALLY CAME UP WITH THE NUMBERS.

Q NOW, YOU WERE HERE YESTERDAY AND TODAY CONCERNING THE CHECKS MADE PAYABLE BY WILLOUGHBY PLACE THAT WERE DEPOSITED INTO ARTHUR VEREEN CONSTRUCTION?

A YES, SIR.

Q DID A&E OR DID MR. SMITH OR MR. VEREEN OR ANYBODY TELL YOU ABOUT THOSE PAYMENTS?

A NO, SIR.

Q WERE THEY REFLECTED ON THE BOOKS OF A&E?

A NOT -- NO. I'M SORRY. IS THAT THE QUESTION?
Q WAS THERE ANY WAY FOR YOU TO LOOK ON THE COMPUTERIZED RECORDS THAT WERE GIVEN TO DETERMINE THAT, THAT MONEY HAVE BEEN PAID ON THE WILLOUGHBY PLACE PROJECT?
A ARE YOU ASKING ME, DID I AT THAT TIME?
Q AT THAT TIME, WERE YOU AWARE OF IT?
A NO, I WASN'T AWARE. I DIDN'T KNOW UNTIL THIS LIGATION THAT THE DEPOSITS WERE MADE TO ANOTHER COMPANY. SO, I ONLY HAD A&E'S RECORDS.
Q WAS MR. SMITH AWARE OF THE PAYMENTS BEING MADE AND DEPOSITED INTO ARTHUR VEREEN CONSTRUCTION?
A I WASN'T AWARE. I CAN -- I WOULD HOPE THAT HE WASN'T BECAUSE I WAS NEVER INFORMED. I DIDN'T KNOW ANYTHING ABOUT THEM. LIKE I SAY, ABOUT THEM UNTIL THIS LIGATION STARTED.
Q SO THE TAX RETURNS -- DO YOU KNOW WHEN THE TAX RETURNS -- YOU REVIEWED THE TAX RETURNS FOR A&E FOR THE YEARS 2004, 2005 AND TENTATIVE RETURNS FOR '6 AND '7?
A YES, SIR.
Q AND THOSE WERE PREPARED BY SMITH SAPP?
A SMITH SAPP.
Q WHEN YOU REVIEWED THOSE RETURNS, DID YOU HAVE ANY CONCERNS?

A YES.
Q DID YOU TALK WITH MR. SMITH CONCERNING THINGS THAT YOU THOUGHT CAUSED YOU CONCERN ABOUT THE BOOKS AND RECORDS IN THE TAX FILINGS OF A&E?
A OKAY. WE'RE TALKING ABOUT AFTER THIS LITIGATION STARTED, CORRECT?
Q YES.
A YES.
Q SINCE THAT TIME, HAVE YOU BEEN PROVIDED WITH COPIES OF THE GENERAL LEDGER FOR A&E? THE COMPUTERIZED RECORDS OF A&E?
A YES. I HESITATE BECAUSE I THINK WHEN WE SUBPOENAED THE RECORDS, WE GOT A COMPUTER BACKUP INITIALLY WHEN MR. SMITH BROUGHT ME SOME OF THE INFORMATION. I HAD SOME OF THE GENERAL LEDGERS. I THINK AT THIS POINT, I HAVE ALL OF THEM NOW, JUST FROM DIFFERENT DIRECTIONS.
Q LET ME ASK YOU, THERE'S A DISK OR A BACKUP OF THOSE RECORDS THAT'S KEPT IN THE A&E OFFICE?
A YES.
Q WAS ONE BROUGHT TO YOU BY MR. SMITH BEFORE THE LAWSUIT WAS FILED?
A YES, SIR.
Q DID YOU HAVE A CHANCE TO EXAMINE THOSE RECORDS?
A YES. HE ASKED ME IF I WOULD REVIEW IT. HE

DIDN'T FEEL COMFORTABLE. THIS WAS AFTER I HAD ALREADY GIVEN UP THE ACCOUNTINGS OF THE BOOKS. RECORDS HAD ALREADY GONE TO SMITH SAPP. HE GOT A BACKUP AND BROUGHT IT TO ME AND ASKED ME IF I WOULD LOOK AT IT.

Q THIS IS THE PEACHTREE ACCOUNTING SYSTEM?

A YES, SIR.

Q PEACHTREE IS A -- IS THAT A COMPUTER PROGRAM THAT A LOT OF CONTRACTORS USE TO TRACE JOBS, EXPENSES, ETCETERA?

A YES, SIR.

Q HAS A JOB LEDGER?

A HAS A JOB LEDGER.

Q WHAT'S A JOB LEDGER MEAN IN ORDINARY TERMS?

A A JOB LEDGER IS WHEN A CHECK IS WRITTEN, A DISBURSEMENT. THERE IS THE OPPORTUNITY THERE WHERE THEY ORIGINALLY PUT THEIR JOBS IN. SO, WHEN THEY WRITE A CHECK, THEY CAN CODE IT TO A JOB LEDGER. SO AS IT'S COMING OUT OF THE ACCOUNT, IT'S ALSO SAYING THIS IS AN EXPENSE OF THIS JOB. SO, THEY CAN PULL UP THAT ONE REPORT FOR WHATEVER JOB OR FOR ALL JOBS AND IT SHOULD HAVE EVERYTHING THAT WAS EXPENDED, WHETHER IT BE PAYROLL OR SUBCONTRACTOR.

Q BASIC STUFF A GENERAL LEDGER WOULD BE IN THE

PEACHTREE SYSTEM WOULD BE EVERY EXPENDITURE BY THE COMPANY?

A YES, SIR. IT WOULD BE EVERY CHECK -- I WOULD START OFF WITH A CHECKING ACCOUNT AND IT WOULD SHOW EVERY CHECK THAT WAS WRITTEN AND THEN THE SECOND HALF OF IT WOULD SHOW WHERE IT WAS EXPENSED.

Q AND THE JOB LEDGER WOULD BE A LIST OF JOBS FOR THE COMPANY ITSELF? CONSTRUCTION?

A NO. THAT WOULD BE A JOB LIST. THE JOB LEDGER WOULD BE THE INDIVIDUAL JOB OR THE GROUP OF ALL JOBS BUT THE EXPENSES WOULD BE TOTAL PER JOB.

Q WAS SUCH A LEDGER KEPT ON THE BOOKS OF A&E?

A YES.

Q AND FOR THE JOBS THAT WERE DISCUSSED EARLIER TODAY FOR THE KEMPE JOB AT WILLOUGHBY PLACE? TELL ME WHY WOULD A COMPANY WANT TO KEEP A JOB LEDGER FOR A CONSTRUCTION COMPANY?

A WELL, THAT'S THE WAY THEY CAN TRACK ALL THEIR EXPENSES AND THEIR HARD COSTS, NOT THEIR OVERHEAD AND PROFIT, BUT THAT'S THE WAY THEY CAN TRACK ALL THEIR EXPENSES TO KNOW IF IT'S A COST PLUS AND WHAT TO CHARGE THE COMPANY OR EVEN IF IT'S A SET CONTRACTED JOB, AT LEAST THEY'LL KNOW WHAT THEIR EXPENSES WERE.

Q WOULD THE LEDGER ALSO TRACK THE PAYMENTS THAT WERE MADE BY THE CUSTOMER ON THAT ACCOUNT?
A PLEASE CLARIFY.
Q WOULD THE JOB LEDGER INCLUDE PAYMENTS THAT WERE MADE ON THAT JOB BY THE CUSTOMER?
A BY THE CUSTOMER?
Q YES.
A NOT UNLESS IT WAS MANUALLY. I MEAN, IT COULD BE MANUALLY PUT IN. YOU'RE SAYING THAT IF THE CUSTOMER PAID ONE OF THE EXPENSES ON THEIR OWN?
Q NO, NO. I WAS TALKING ABOUT PAYMENTS MADE ON A JOB, WOULD THEY NOT BE INCLUDED IN THE JOB LEDGER?
A OH, YES. I'M SORRY. I THOUGHT YOU MEANT THE CUSTOMER.
Q NO. WHAT I'M SAYING IS, IF YOU HAD A JOB, SAY THE KEMPE JOB, UNDER THE PEACHTREE ACCOUNTING SYSTEM, PAYMENTS THAT WERE MADE FOR THAT JOB WOULD BE POSTED ON THE JOB LEDGER FOR THE KEMPE JOB?
A YES. MOST OF --- I THINK THE WAY A&E DID IT WAS ALL THEIR JOBS WERE GIVEN A NUMBER. IT MIGHT BE 27,000, 28,000 AND SO IT WOULD BE KEYED UNDER THAT NUMBER, AND THERE COULD BE SUB-CATEGORIES LIKE SUBCONTRACTORS OR MATERIALS, PAYROLL. THAT

MIGHT BE 27,100, 27,200. YEAH, IT WOULD BE UNDER THAT JOB, THE TOTAL.

Q SO, THIS WOULD ALLOW THE COMPANY TO TRACK ITS EXPENSES, APPLY `EM TO A JOB AND ALSO TRACK THE RECEIPTS OF THE MONEY AND APPLY THEM TO THAT SAME JOB?

A THAT IS THE PURPOSE OF USING THE JOB LEDGER, YES. YOU CAN DO THE DISBURSEMENTS AND RECEIPTS.

Q DOES AN ACCOUNTANT LOOK AT A LEDGER OR GENERAL LEDGER IN PREPARING TAX RETURNS FOR THE COMPANY?

A AN ACCOUNTANT WOULD ALWAYS LOOK AT THE GENERAL LEDGER. JOB LEDGER. I DO. I CAN'T SAY THAT ALL OF THEM DO. YOU NEED TO GET A FAIR ACCOUNTING OF WHAT YOUR EXPENSES ARE, WHAT YOUR CONSTRUCTION IN PROGRESS IS, YOU KNOW, DEPENDING ON WHAT FORM ACCOUNTING THEY DID. I ALWAYS LOOK AT THE JOB LEDGERS OR GET A JOB LEDGER REPORT FROM THE CLIENT.

Q NOW, SHOULD A COMPANY REPORT ALL OF THEIR PAYMENTS ON THEIR GENERAL LEDGER?

A YES, SIR.

Q WHAT HAPPENS IF, SAY THERE'S TWO DIRECTORS OR TWO SHAREHOLDERS AND THERE'S A PAYMENT MADE ON A JOB ACCOUNT, WHAT HAPPENS IF THAT PAYMENT IS NOT ENTERED INTO THE JOB LEDGER AS A PAYMENT ON THAT

ACCOUNT?

A WELL, A LOT OF THINGS HAPPEN. I MEAN, IF IT'S NEVER RECORDED IN THE GENERAL LEDGER, IT'S PROBABLY NOT RECORDED AS INCOME. THE OTHER SHAREHOLDER PROBABLY DOESN'T KNOW THAT THERE'S PROBABLY NO INCOME TAXES PAID ON IT. TECHNICALLY, IF THAT MONEY CAME IN, THE OTHER 50 PERCENT OR WHATEVER OWNERSHIP OF THE OTHER SHAREHOLDER WOULD BE DUE THAT PORTION.

Q SO, IT'S IMPORTANT TO PUT THOSE RECEIPTS INTO YOUR BUSINESS RECORDS, WHICH HERE WOULD BE THE PEACHTREE SYSTEM?

A CORRECT.

Q DURING THE COURSE OF THE INVESTIGATION IN THIS CASE, HAVE YOU HAD THE OPPORTUNITY TO REVIEW THE CHECKING ACCOUNTS, STATEMENTS AND RECORDS FOR A&E FOR THE PERIOD FROM 2004 TO THE END OF 2007?

A YES, SIR.

Q HAVE YOU BEEN ABLE TO VERIFY ALL THE DEPOSITS THAT WERE MADE INTO THE ACCOUNT?

A I HAVE VERIFIED ALL THE DEPOSITS THAT WERE MADE IN THE ACCOUNT.

Q AND YOU KNOW THE SOURCE OF ALL THE PAYMENTS?

A YES, SIR.

Q YOU'VE GIVEN CREDIT IN YOUR EXAMINATION TO EVERY

PAYMENT THAT HAS BEEN MADE BY MR. VEREEN, ARTHUR VEREEN CONSTRUCTION COMPANY AND PARK PLACE PROPERTIES AS FAR AS BEING DEPOSITS INTO THE ACCOUNT?

A OKAY. WHEN YOU SAY GIVING CREDIT, CAN YOU EXPLAIN THAT?

Q WERE YOU ABLE TO DETERMINE FROM VIEWING THE CHECKING ACCOUNT RECORDS WHO MADE THE DEPOSITS?

A YES. ACCORDING TO THE NOTES OFF OF THEIR COMPUTER. I FEEL COMFORTABLE KNOWING WHICH ONES WERE PUT IN BY MR. VEREEN AND HIS ENTITIES.

Q WAS THERE A $215,000.00 WIRE TRANSFER INTO THE COMPANY BOOKS WHEN YOU EXAMINED THE CHECKING ACCOUNT RECORDS OF A&E?

A NO, SIR.

Q YOU DID LOOK FOR THAT BECAUSE THERE WAS SOME CLAIM THAT MONEY WAS WIRED?

A YES, SIR. I THINK I HEARD TWO OR THREE DIFFERENT AMOUNTS THAT WERE WIRED, BUT, YES, I HAVE VERIFIED THAT, AND THAT DID NOT HIT THE CHECKING ACCOUNT OF A&E.

Q GOING GENERALLY FROM 2004 TO THE PRESENT, CAN YOU TELL ME WHETHER MR. VEREEN WAS WRITING -- THE ONLY PERSON WRITING CHECKS IN THE ACCOUNT THAT YOU EXAMINED, THE CHECKING ACCOUNT RECORDS

...

MS. COOK: WE'LL STIPULATE TO THAT, YOUR HONOR.

Q IS THAT CORRECT?

A YES. IT LOOKS LIKE IT'S HIS SIGNATURE ON THE CHECKS.

Q WAS THERE ANYTHING, AFTER YOU EXAMINED THESE RECORDS, THESE CHECKING ACCOUNT RECORDS AND THE BOOKS, DID YOU SEE ANY ABNORMALITIES IN THE ACCOUNT ONCE YOU HAD A CHANCE TO REVIEW ALL THE RECORDS?

A YES.

Q WERE THESE MINOR THINGS VERSUS MAJOR THINGS?

A THEY WERE PRETTY MAJOR. IT WAS A VERY -- I THINK MR. VEREEN CALLED IT ACCOUNTING DISTURBANCE. I WOULD SAY MORE OF A HURRICANE THAN A DISTURBANCE, BUT IT WAS -- THERE WERE A LARGE AMOUNT OF CHECKS WRITTEN TO MR. VEREEN AND HIS OTHER ENTITIES. THERE WERE CHECKS COMING BACK IN. NOTHING WAS EVER REALLY CLEAR. IT MIGHT HAVE BEEN A CHECK FROM PARK PLACE AND IT MIGHT HAVE BEEN KEYED AS A RECEIVABLE FROM ARTHUR VEREEN CONSTRUCTION. IT WAS -- THERE WAS A LOT OF CONFUSION. TOOK A LOT OF TIME TO GO THROUGH AND TRY TO FIGURE OUT EXACTLY WHAT THESE

EXPENSES WERE. THERE WERE --- LIKE I SAID BEFORE, THERE WERE PERSONAL EXPENSES. THERE WERE INSURANCE EXPENSES. THERE WERE SUPERVISORY FEES, I THINK, PAID TO MR. VEREEN OVER AND ABOVE HIS SALARY, WHICH WERE, TO MY KNOWLEDGE AND THE ACCOUNTANT'S KNOWLEDGE, WERE NEVER 1099`ED. IT'S WAS JUST CODED AS CONSTRUCTION.

Q WHEN YOU SAY 1099, TELL THE COURT WHAT THAT MEANS.

A WELL, NORMALLY, IF YOU HAVE SUBCONTRACTOR DOING WORK THAT MAKES OVER $600.00, YOU SHOULD BE ISSUING A 1099. MR. VEREEN AND MR. SMITH WERE W-2 EMPLOYEES. SO, NORMALLY IF THERE IS ANY AMOUNT OF MONEY GIVEN TO AN EMPLOYEE, IT SHOULD BE A RECORDED ON A W-2. AT THE VERY LEAST, IF THERE WAS SOMETHING THAT CAME OUT LATER, IT SHOULD HAVE BEEN A 1099. THOUGH, PROBABLY WOULD NOT HAVE BEEN PROPER ACCOUNTING, BUT IT WOULD HAVE BEEN REPORTED AS AN EXPENSE.

Q AND THAT MEANS WHAT?

A 1099 MEANS IT'S INCOME RECEIVED TO AN INDIVIDUAL FOR WORK THEY'VE DONE FROM ANOTHER INDIVIDUAL OR COMPANY.

Q NOW, DID MR. VEREEN HAVE INCOME MONEY THAT WAS PAID TO HIM FROM A&E WHICH WAS NOT REPORTED AS

W-2 INCOME OR 1099 INCOME ON THE A&E TAX RETURN?

A YES, SIR.

Q AND THAT WOULD BE FOR MORE THAN ONE YEAR?

A I BELIEVE IT WAS TWO YEARS.

Q HAVE YOU ALSO HAD THE OPPORTUNITY TO REVIEW THE INDIVIDUAL TAX RETURNS OF MR. VEREEN FOR 2004, `05, `06 AND `07 TO THE EXTENT THAT THEY WERE PREPARED AND DONE BY SMITH SAPP?

A YES. I HAVE REVIEWED THEM.

Q DID YOU HAVE THE OPPORTUNITY TO ALSO REVIEW THE TAX RETURNS PREPARED BY SMITH SAPP FOR PARK PLACE AND ALSO FOR ARTHUR VEREEN CONSTRUCTION?

A YES, SIR.

Q AND THAT WOULD BE FOR THE SAME YEARS?

A YES, SIR.

Q AND AS A RESULT OF THAT, DID YOU SEE EVIDENCE THAT MR. VEREEN OR ANY OF HIS ENTITIES REPORTED THIS INCOME ON THEIR INDIVIDUAL TAX RETURNS, MR. VEREEN?

A THE SUPERVISORY INCOME, I DID NOTICE IN 2004. I THINK THERE WAS THE AMOUNT OF 23,000.00, AND AGAIN, I DON'T HAVE THE CORRECT NUMBER, BUT I THINK IT WAS 23,000.00 THAT MR. VEREEN PICKED UP AS OTHER INCOME, WHICH I WAS KIND OF CURIOUS AS TO WHERE THEY CAME UP WITH THAT NUMBER. SO, I

WENT BACK AND LOOKED ...

Q LOOKED AT WHAT?

A LOOKED AT THE ORIGINAL INFORMATION. WHEN I WENT BACK TO LOOK -- LET ME START OVER. WHEN I LOOKED AT SMITH SAPPS TAX RETURNS AND THE WORK PAPERS, STARTED GOING THROUGH TO SEE WHERE THEY CAME UP WITH THAT NUMBER, AND THERE WERE THREE CHECKS FOR THE AMOUNT OF 23,000.00 CODED AS SUPERVISORY FEES. WHEN I LOOKED DOWN AT THAT, I REALIZED THAT WAS THE GENERAL LEDGER THAT I HAD PREPARED AND GIVEN TO MR. SMITH TO TAKE BACK TO WAYNE. SO, SMITH SAPP, THE NEW ACCOUNTANT, HAD STARTED WITH MY NUMBERS, AND WE HAD NOT REALLY FINISHED GOING THROUGH `EM. SO, THOSE WERE JUST THE FIRST THREE I HAD PICKED UP. SO, THE SECOND ACCOUNTANT DIDN'T GO FURTHER THROUGH THE BOOKS AND PICK UP THE REST. BECAUSE THE NUMBER THAT I HAD PULLED OUT INITIALLY WAS THE EXACT SAME NUMBER THAT WAS REPORTED ON MR. VEREEN'S TAX RETURNS AS OTHER INCOME. I THINK THERE WAS ANOTHER -- MAY I LOOK AT THIS?

Q WE'LL GO THROUGH THAT LATER.

A I THINK THERE WAS FIFTY, SIXTY, SEVENTY, SOMEWHERE THOUSAND DOLLARS THAT WAS NOT PICKED UP FOR THAT YEAR. I DON'T KNOW THE NUMBER RIGHT

NOW, BUT THE REST OF IT WAS NOT PICKED UP AS INCOME.

Q NOW, YOU MET WITH MR. SMITH CONCERNING WHAT HE THOUGHT WERE PROBLEMS WITH A&E. DID HE TELL YOU THAT -- DID HE PROVIDE YOU HIS SUSPICIONS CONCERNING PAYMENTS MADE TO BANKS AND TO ARTHUR VEREEN CONSTRUCTION AND POINTE MARCH, ET CETERA AND ASK YOU TO LOOK INTO THOSE BOOKS AND RECORDS OF THE COMPANY?

A WHICH MEETING WITH MR. SMITH ARE YOU TALKING ABOUT?

Q YOU HAD MANY MEETINGS, DID YOU NOT?

A WELL, THE FIRST ONE HE WASN'T AWARE OF ANYTHING. WHEN I GAVE HIM THE FIRST REVIEW AND SAT DOWN WITH HIM, HE ACTED AS THOUGH HE WAS NOT FAMILIAR WITH ANYTHING I WAS TALKING ABOUT. AND HE JUST SAID, "WE'LL JUST GO TALK ABOUT IT AND LOOK AT IT."

Q NOW, SUBSEQUENT TO YOU PROVIDING -- RECEIVING ALL THE ADDITIONAL INFORMATION, DID MR. SMITH -- DID MR. SMITH COME BACK TO YOU LATER AND SAY, "I FOUND OUT MORE INFORMATION."?

A WE NEVER REALLY GOT ALL THE ANSWERS TO THOSE QUESTIONS. LIKE I SAY, WE JUST -- I THINK IT WAS OVER A YEAR THAT PASSED AND WE JUST DECLINED

TO DO IT, AND THEN IF I'M NOT MISTAKEN, AFTER THE LITIGATION, HE CAME TO ME WITH THE BACKUP AND SAID HE HAD SOME CONCERNS, WOULD I LOOK AT IT?

Q BACKUP MEANS THAT HE ...

A PEACHTREE COMPUTER BACKUP FOR THE ACCOUNTING SOFTWARE FOR A&E.

Q DID YOU LOOK AT IT?

A I DID.

Q WHAT DID THAT -- WHAT DID THAT LEAD YOU TO BELIEVE AT THAT TIME BEFORE GETTING ALL OF THE RECORDS?

A THERE WAS JUST A LOT OF QUESTIONS THAT NEEDED TO BE ANSWERED. THERE WERE A LOT OF PAYMENTS FROM DIFFERENT ENTITIES THAT -- THERE WAS NEVER -- ON THE BOOKS, THERE WAS NEVER AN ACCOUNT THAT SAID, "DUE TO OR DUE FROM ANY OF MR. VEREEN'S OTHER ENTITIES, WHICH IN MY ACCOUNTING WORLD, THE WAY WE OPERATE, ANY TIME YOU'VE GOT AN INDIVIDUAL THAT OWNS FOUR, THREE, FOUR, EVEN TWO CORPORATIONS, IT'S VERY IMPORTANT THAT YOU KEEP YOUR ACCOUNTING SEPARATE AND THAT YOU KEEP THESE RECORDS OF WHO OWES WHAT COMPANY. ONE OF THE FIRST THINGS I NOTICED, THERE WERE MANY COMPANIES TO ARTHUR VEREEN PERSONALLY, ARTHUR

VEREEN CONSTRUCTION.

Q CHECKS?

A CHECKS. JUST PERSONALS. I DON'T KNOW ABOUT PARK PLACE OFFICE. I KNOW PARK PLACE PROPERTIES, THERE WAS JUST A LOT OF CHECKS GOING OUT. THERE WERE CHECKS COMING IN AND IT WAS JUST -- THERE WAS NO ACCOUNT. THEY WERE ALWAYS CODED TO SOMETHING DIFFERENT. IT WAS A BIG PUZZLE TO TRY TO FIGURE OUT WHAT EACH EXPENSE WAS.

Q AT THAT TIME, DID MR. SMITH KNOW WHAT WAS GOING ON?

A I DO NOT THINK HE DID. HE DIDN'T SEEM TO KNOW. WAS HE AWARE AT THAT TIME THAT CHECKS WERE WRITTEN OUT OF A&E TO ARTHUR VEREEN CONSTRUCTION?

MS. COOK: YOUR HONOR, I'M GOING TO OBJECT.

Q DID MR. SMITH TELL YOU HE WAS AWARE OF IT?

A NO, HE DID NOT.

Q NOW, YOU'VE HAD A CHANCE NOW AND IN THE PAST TO REVIEW ALL OF THESE RECORDS AND YOU'VE HAD A CHANCE TO REVIEW THE SMITH SAPP RECORDS, CORRECT?

A CORRECT.

Q THESE RECORDS ARE IN THE COURTROOM TODAY AS BEING COMPLETE RECORDS THAT WERE SUBPOENAED AND PROVIDED TO YOU?

A THEY ARE AS COMPLETE AS THAT'S THE WAY WE GOT `EM FROM SMITH SAPP.

Q YOU HAVE THE CHECKING ACCOUNT RECORDS OF PARK PLACE PROPERTIES THAT YOU'VE REVIEWED?

A YES. I DON'T THINK WE HAVE A COMPLETE BUT WE HAVE BITS AND PIECES OF THE PARK PLACE.

Q AND ARTHUR VEREEN CONSTRUCTION?

A I DON'T KNOW THAT WE HAVE CHECKED -- IS THAT YOUR QUESTION?

Q YES, MA'AM.

A I DON'T KNOW THAT WE HAVE CHECK REGISTERS FROM ARTHUR VEREEN CONSTRUCTION. I MIGHT BE WRONG BUT I DON'T -- I KNOW WE HAVE A TAX RETURN AND WE HAVE SOME GENERAL LEDGERS BUT I DON'T KNOW THAT WE HAVE ALL THE GENERAL LEDGERS AND I DON'T KNOW WHETHER WE HAVE CHECK REGISTERS.

Q FOR ARTHUR VEREEN CONSTRUCTION?

A FOR ARTHUR VEREEN CONSTRUCTION.

Q WELL, WERE YOU ABLE TO GO THROUGH AND COMPILE A REPORT, MS. BRADY, CONCERNING WHAT THE STATUS OF A&E WAS EACH YEAR IN REGARDS TO ALL THE VEREEN ENTITIES, VEREEN ENTITIES BEING MR. VEREEN,

PARKWAY OFFICES, PARK PLACE PROPERTIES, ARTHUR VEREEN CONSTRUCTION?

A YES. WHAT I DID WAS GET A REPORT. WHAT I STARTED WITH WAS SMITH SAPP'S RECORDS INSTEAD OF RE-CREATING EVERYTHING, AND EVERYTHING THAT I QUESTIONED OR IF I WASN'T SURE, I WOULD ASK MR. SMITH WHAT THE EXPENSE WAS. ANYTHING THAT I QUESTIONED, I TOOK OUT OF THE RECORDS AND MADE AN ADJUSTMENT AS FAR AS THE TAX RETURN. LIKE WHAT I FELT WAS DUE FROM MR. VEREEN OR TO THESE OTHER COMPANIES. THERE ARE SEVERAL JOBS THAT I DON'T THINK WE KNEW UNTIL THIS TRIAL WHOSE JOB IT WAS GOING TO TAKE CREDIT, LIKE THE POINTE MARSH AND THE PARKWAY, BUT ANYTHING THAT HAD ANYTHING -- THAT WAS ASSOCIATED WITH MR. VEREEN, I PULLED OUT THESE REPORTS UNTIL IT WAS VERIFIED.

Q AS FAR AS THE CHECKING ACCOUNT RECORDS OF A&E, YOU VERIFIED THE CHECKS OUT AND THE DEPOSITS IN BETWEEN THE GENERAL LEDGER AND THE BANKING ACCOUNT?

A YES, SIR.

Q YOU WENT THROUGH EACH CHECK IS WHAT I'M ASKING. AND AS A RESULT OF THAT, DID YOU CREATE THESE FOUR BOOKS 2004, 5, 6 AND 7, WHICH ARE

PLAINTIFF'S EXHIBITS "1" THROUGH "4"?

A YES, SIR.

Q GENERALLY SPEAKING, WHAT DID -- DO THESE BOOKS TELL YOU WHAT YOU THINK ARE MONIES THAT ARE DUE AND OWING FROM THE DEFENDANTS IN THIS CASE TO THE COMPANY, A&E?

A YES. THIS SHOWS EVERYTHING THAT I QUESTIONED. I THINK THEY HAVE VERIFIED A COUPLE OF THE EXPENSES THAT WE DIDN'T KNOW. THERE WERE SOME EXPENSES THAT WERE WRITTEN TO CAROLINA FIRST BANK OR THE CREDIT CARD, MBNA, AND IF THERE WAS ANY QUESTION, I PULLED THAT OUT. IF THERE WAS NOTHING IN THE RECORDS THAT I HAD TO BACK UP WHAT THE EXPENSE WAS, I PULLED THAT OUT. EVERYTHING THAT I QUESTIONED WAS IN HERE. I DON'T KNOW THAT I CAN TESTIFY THAT EVERYTHING IN HERE WAS ABSOLUTELY NOT AN EXPENSE, BUT THIS IS WHAT I QUESTIONED.

Q NOW, IF YOU'LL PULL THE 2004 BOOK OUT. AMONG THE INDEXES THERE, IF WE CAN GO THROUGH AND YOU CAN TELL THE COURT. TO START WITH, REFERENCE NUMBER ONE, WHAT THAT IS AND WHAT IT REFLECTS.

A THE FIRST ONE IS CHECKS THAT WERE WRITTEN TO WAYNE VEREEN THAT WERE NOT CODED TO A JOB AND DIDN'T REFERENCE ANOTHER INVOICE I PULLED OUT.

I WASN'T COMFORTABLE WITH WHAT THAT. THIS IS NOT EVERY CHECK THAT WAS WRITTEN TO WAYNE. SEVERAL OF THEM WERE KEY TO OTHERS OR THEY REFERENCED STEEL FOR A BUILDING OR A PLUMBING BILL OR WHATEVER IT MAY BE. THESE WERE CHECKS THAT DIDN'T REALLY -- EITHER THEY DIDN'T HAVE A CODING OR I WASN'T HAPPY WITH WHAT THE CODING WAS, WHICH MANY OF THESE WERE CODED AS CONSTRUCTION COSTS WRITTEN TO WAYNE VEREEN, AS A DIRECT AMOUNT.

Q DO YOU HAVE COPIES OF THOSE CHECKS IN THE BACK?

A I BELIEVE SO.

Q YOU HAVE A LISTING OF THE CHECK NUMBERS ALSO?

A CORRECT. ON NEXT PAGE IT HAS THE FIRST COUPLE OF CHECKS WHERE -- WHEN IT SAYS, "CLASSIFICATION" THAT'S WHERE THE PRIOR ACCOUNTANT -- THAT'S HOW THEY HAD CLASSIFIED IT. AND A COUPLE TIMES IT MIGHT SAY IT WAS HERE AND THEN IT WENT TO HERE. THAT MEANS THE ACCOUNTANT MIGHT HAVE RE-CLASSED IT FROM THE WAY IT WAS DONE ON THE BOOKS OF A&E WHEN HE GOT THE BOOKS.

Q AND THE FIRST ONE YOU'VE GOT MARKED AS "SUPERVISORY FEES"?

A ARE YOU ON THE SPREADSHEET PAGE?

Q I'M LOOKING AT NUMBER ONE.

A YES. OKAY.
Q WHAT WAS A SUPERVISORY FEE OR DO YOU KNOW?
A THAT'S SAYING THAT 88 WAS THE SUPERVISORY FEES, CORRECT?
Q NO. I AM LOOKING AT THE REFERENCE NUMBER ONE FOR $103,760.86. WAS THIS SOMETHING THAT WAS PUT ON THE CHECKS?
A IT WAS CODED ON THE STUB OF THE CHECK. IT WOULD SAY SUPERVISORY FEES. EACH CHECK MIGHT BE SPLIT UP BETWEEN THREE JOBS. IT MIGHT SAY TAHITIANS PRINCESS A CERTAIN AMOUNT, WILLOUGHBY A CERTAIN AMOUNT OR THE KEMPE JOB A CERTAIN AMOUNT.
Q DID YOU EVER ASK MR. SMITH WHETHER HE WAS AWARE THAT MR. VEREEN WAS WRITING HIMSELF CHECKS FOR SUPERVISORY FEES?
A I DID ASK HIM.
Q AND WHAT DID HE TELL YOU?
A HE SAID HE WAS NOT AWARE.
Q HOW MUCH WERE THESE IN THE CALENDAR YEAR OF 2004?
A YES. ONE SECOND. I'M SORRY. OKAY. THE TOTAL AMOUNT OF THE CHECKS WAS 103,760.68, BUT I WILL CLARIFY THAT A COUPLE OF THESE CHECKS WERE JUST CODED TO CONSTRUCTION COSTS. THEY MIGHT NOT HAVE LABELED THOSE AS SUPERVISORY FEES. THERE

WERE A COUPLE OF THEM THAT WENT TO GENERAL EXPENSE ON THAT FIRST TAB, BUT THESE WERE ALL CHECKS THAT WERE PAID TO WAYNE VEREEN PERSONALLY.

Q AND YOU NOTICED THERE WAS NO W-2 OR 1099 ISSUED BY THE COMPANY?

A CORRECT.

Q EXCEPT THE THREE YOU TALKED ABOUT?

A THERE WAS NO 1099 OR ANYTHING ISSUED BY THE COMPANY.

Q DID MR. VEREEN REPORT ANY OF THIS MONEY ON HIS 2004 INCOME TAX RETURN?

A IT WAS JUST THE 23,000.00 I COULD FIND AS HE REPORTED HIS OTHER INCOME. NONE OF THE REST OF IT WAS REPORTED.

Q THE PRUDENTIAL LIFE INSURANCE, WHICH IS REFERENCE NUMBER TWO, ARE YOU SHOWING FOR $3,050.60? WHY WAS THAT PUT IN YOUR LIST?

A THE PRUDENTIAL WAS PUT IN -- I THINK THIS WAS ACTUALLY DONE BEFORE WE HAD ALL THE COMPLETE BANK RECORDS AND MR. SMITH HAD GIVEN ME THIS INFORMATION.

Q THESE ARE EXPENSES THAT MR. VEREEN ADMITS ARE PERSONAL EXPENSES?

A YES. AND I WILL...

MS. COOK: OBJECTION.

JUDGE HOWE: I UNDERSTAND YOU'RE TRYING TO SAVE TIME.

Q TELL ME HOW YOU GOT THE FIGURE $3,050.60 IN NUMBER TWO?

A INITIALLY, MR. SMITH GAVE ME THAT NUMBER AND TOLD ME WHAT IT WAS MONTHLY. I DO WANT IT PUT ON THE RECORD, THIS ONE, AND I THINK THERE'S ANOTHER INSURANCE. WAS IT HARTFORD? LET'S SEE. MR. SMITH GAVE ME THAT NUMBER WHEN WE GOT THE BANK STATEMENTS AND VERIFIED IT IN THE 2007 YEAR. I THINK THERE IS A CORRECTION WHERE WE HAD TOO MANY DRAFTS. ONCE I ACTUALLY GOT THE PAPER RECORD TO VERITY IT STARTED LATER IN THE YEAR. THESE ARE DRAFTS OUT OF THE CHECKING ACCOUNT.

Q AND YOU HAVE CHARGED THAT TO MR. VEREEN'S ACCOUNT?

A CORRECT.

Q YOU CALL THAT AN ACCOUNT RECEIVABLE IT SHOW IT ON THIS LIST?

A YES. ME. I'M SORRY.

Q WHAT DOES THAT MEAN "ACCOUNTS RECEIVABLE"?

A ACCOUNTS RECEIVABLE MEANS THAT, THAT'S MONEY THAT WAYNE OWES THE COMPANY BACK OR WHOEVER THE

INDIVIDUAL IS.

Q WHY WOULD HE OWE THE MONEY FOR THE LIFE INSURANCE AND ALSO THERE IS ONE FOR JOHN HANCOCK, THE NUMBER 4? WHY WOULD THAT BE AN ACCOUNT RECEIVABLE?

A IT WAS A PERSONAL EXPENSES ...

MS. COOK: YOUR HONOR, I OBJECT.

JUDGE HOWE: I WOULD OVERRULE IT FOR NOW.

Q MR. BRADY, IS THIS A SUBCHAPTER S-CORPORATION?

A YES, IT IS.

Q ARE THERE TWO SHAREHOLDERS IN THIS COMPANY?

A YES, SIR.

Q AND THEY BOTH OWN EQUAL AMOUNTS OF STOCK IN THE COMPANY?

A THEY'RE BOTH 50% OWNERS.

Q WHAT DOES THE ACCOUNTING LAW SAY ABOUT DISTRIBUTIONS MADE BY THE CORPORATION TO SHAREHOLDERS?

A ONE SHAREHOLDER TAKES A DISTRIBUTION, THE OTHER SHAREHOLDER MUST GET THE SAME DISTRIBUTION ACCORDING TO HIS PERCENTAGE OF OWNERSHIP AND IN THIS COMPANY IF MR. SMITH OR MR. VEREEN EITHER ONE TOOK A DISTRUBUTION OF ANY AMOUNT OF MONEY, A BENEFIT AS THEY MIGHT HAVE CLASSIFIED IT, THE

OTHER SHAREHOLDER IS ENTITLED TO THE SAME. SO, IN A SITUATION LIKE THIS, IF ONE GENTLEMAN IS PAYING PERSONAL LIFE INSURANCE, THE OTHER SHAREHOLDER -- THE OTHER OWNER HAS THAT SAME RIGHT. THAT'S WHEN I PULLED THIS OUT TO SEE IN THE BEGINNING IF MR. SMITH -- THAT HE WAS AWARE OF IT.

Q DID HE TELL YOU WHETHER HE WAS AWARE OF IT?

A I DON'T THINK HE WAS. ORIGINALLY, I THINK, WHEN HE STARTED GOING THROUGH THE BOOKS, HE HAD FOUND IT AND I'M NOT EXACTLY SURE ON THAT ANSWER.

Q NOW, YOU PULLED OUT NUMBER FIVE, THE PERSONAL WAREHOUSE RENTAL ACORN. WHY DID YOU PULL THAT OUT?

A I PULLED THAT ONE OUT BECAUSE MR. SMITH TOLD ME IT WAS NOT AN A&E EXPENSE.

Q THAT REFERENCES THE AMOUNT THAT'S SHOWING?

A CORRECT. I HAD NO WAY OF REALLY KNOWING.

Q NUMBER SIX, THE SHELL. WAYNE'S DAUGHTER $372.00. IS THAT SOMETHING YOU PICKED UP FROM THE BOOKS AND RECORDS OF THE COMPANY?

A I THINK MR. SMITH TOLD ME THAT AND HE HAD SOME INVOICES THAT HE HAD BROUGHT IN AND A LOT OF THE CHARGES WERE MADE IN COLUMBIA. SO, I QUESTIONED THIS ONE AS WELL.

Q AND IN NUMBER SEVEN, WAS THE 29TH PLACE HOA, WAYNE'S PROPERTY, $630.00? WHAT WAS THAT?

A IT WAS A HOA FEE THAT WAS PAID ON THE PROPERTY THAT WAS NOT OWNED BY A&E. IT WAS NOT ON THE BOOKS OF A&E. SO I ASKED MR. SMITH ABOUT THAT AS WELL. HE SAID THAT WAS MR. VEREEN'S PROPERTY.

Q HAVE YOU SUBSEQUENTLY DETERMINED THAT IT WAS HIS PROPERTY?

A WELL, I DETERMINED THAT IT WASN'T A&E'S PROPERTY.

Q CORRECT. AND IT WAS LISTED AS DUES AND SUBSCRIPTIONS ON THE BOOKS OF THE COMPANY?

A ON THE INCOME TAX RETURNS, CORRECT, AND ON THEIR BOOKS.

Q AND NUMBER EIGHT IS SURFSIDE CLEANERS. WHY DOES IT GIVE YOU ANY CONCERN THAT THERE'S CHECKS PAYABLE TO SURFSIDE CLEANERS FOR A CONSTRUCTION COMPANY?

A WELL, NO CLEANER IS DEDUCTIBLE AS BAD AS EVERYBODY WANTS IT TO BE FOR INCOME TAX PURPOSES UNLESS IT IS A TRUE UNIFORM. UNLESS THAT UNIFORM SOMEWHERE SAYS, "A&E CONSTRUCTION" OR WHATEVER, PLUMBING COMPANY, AND I ASKED MR. SMITH, "DID THEY HAVE UNIFORMS?" AND HE SAID,

"NO" AND THAT WOULD USUALLY BE WRITTEN TO A UNIFORM COMPANY.

Q THESE SAME EXPENSES TO SURFSIDE CLEANERS AND TO THESE LIFE INSURANCE COMPANIES WERE IN THE 2005, 2006, AND 2007 BOOKS?

A YES, SIR. I AM PRETTY SURE THEY ARE IN ALL OF THEM.

Q DOWN HERE WE HAVE SUNCOM FOR WAYNE'S -- WE HAD WIFE AND IT'S MARKED THROUGH?

A MINE SAYS "ROOFER". I THINK WE CHANGED THAT ONE SEVERAL TIMES. WE DIDN'T KNOW WHO THE PHONE WAS FOR. THAT WAS A CELL BILL THAT WE DIDN'T KNOW WHO THE NUMBER WAS. ONE OF THE NUMBERS ON THE BILL WAS MR. VEREEN'S AND THE OTHER NUMBER NO ONE KNEW ANYTHING ABOUT IT. I THINK SOMEBODY CALLED IT AND FOUND OUT IT WAS ONE OF MR. VEREEN'S FRIENDS OR A ROOFER. I WAS TOLD. I'M NOT SURE.

OFF THE RECORD.

Q MRS. BRADY, I HAND YOU A COPY A DOCUMENT THAT PURPORTS TO BE ARTHUR W. AND LINDA C. VEREEN'S TAX RETURNS FOR 2004. MRS. BRADY, LOOKING AT THAT TAX RETURN, HOW MUCH WAS PURPORTED ON MR. VEREEN'S TAX RETURNS 1099 INCOME FROM A&E? THE ONLY QUESTION I ASKED WAS, HOW MUCH WAS

PURPORTED ON THAT 2004 INCOME TAX RETURN AS PAYMENTS MADE BY A&E TO MR. VEREEN OTHER THAN W-2 INCOME?

A OTHER INCOME LINE 21, IT SAYS 23,095.00 IS RECORDED AS A&E CONSTRUCTION AND CONSULTANTS INC., SUPERVISORY FEES.

Q THANK YOU. THAT'S ALL I HAVE TO ASK YOU ABOUT THAT. NOW, GOING DOWN THE LIST, YOU SHOW ON NUMBER 10, CHECKS DEPOSITED INTO A&E FOR WILLOUGHBY?

A YES, SIR.

Q TELL ME, WHAT DID YOU DO TO FIND THIS 113,480.00 NUMBER?

A I THINK I WAS GIVEN THIS BY MR. SMITH ORIGINALLY.

Q WERE YOU ABLE TO VERIFY ...

A WE VERIFIED IT WHEN WE GOT THE BANK STATEMENTS FROM -- THAT WERE SUBPOENAED FOR ARTHUR VEREEN CONSTRUCTION. I THINK THIS WAS VERIFIED IN THOSE.

Q AND THAT'S AN AMOUNT OF MONEY THAT'S IN ACCOUNTS RECEIVABLE FROM MR. VEREEN OR ARTHUR VEREEN CONSTRUCTION?

A YES. THIS SHOULD HAVE BEEN ON THE BOOKS AS CHARGES -- AS INCOME FOR THIS PARTICULAR JOB AND

RECEIVABLE FROM MR. VEREEN.

Q NOW, ELEVEN IS CHECKS DEPOSITED IN A&E FOR SS CARDIOLOGY?

A YES, SIR.

Q WHAT ARE THE TOTAL AMOUNT OF THOSE CHECKS?

A IT SAYS TOTAL RECEIVED IS 57,562.00. THIS IS ACTUALLY NOTES THAT WAS SMITH SAPPS BOOKS THAT SAID THE 50,562.00 WAS RECEIVED FROM SOUTH STRAND AND DEPOSITED INTO PARKWAY OFFICE ACCOUNT PER WAYNE. I THINK WHEN WE WENT TO REVIEW THE RECORDS, INTERESTINGLY, THE DEPOSIT WAS 50,000.00, BUT THERE WAS ANOTHER 12,000.00. SO, THIS NUMBER PROBABLY NEEDS TO BE ADJUSTED. WE TOOK THE ORIGINAL NUMBER FROM THE NOTES OF SMITH SAPPS ACCOUNTING RECORDS.

Q WOULD THE NUMBER BE HIGHER OR LOWER?

A I THINK THE NUMBER SHOULD BE HIGHER.

Q THAT WOULD BE BASED UPON COPIES OF THE DEPOSIT SLIPS THAT YOU RECEIVED GOING INTO THAT ACCOUNT?

A YES, SIR.

Q AND YOU HAD THE CHANCE TO LOOK AT THOSE?

A YES, SIR.

Q YOU'VE GOT CHECKS DEPOSITED TO A&E FOR TAHITIAN PRINCESS, WHICH IS NUMBER 12?

A YES, SIR.

Q WHAT WAS THAT?
A THAT WAS ALSO A DEPOSIT THAT WAS MADE INTO ARTHUR VEREEN CONSTRUCTION ACCOUNT FOR A JOB THAT WAS ON THE BOOKS OF A&E.
Q NOW, NUMBER 13 SAYS, "CHECKS TO ARTHUR VEREEN CONSTRUCTION, $113,724.00."?
A YES, SIR.
Q DID YOU VERIFY THAT THESE CHECKS IN THIS AMOUNT WERE WRITTEN BY A&E TO ARTHUR VEREEN CONSTRUCTION?
A YES. WE VERIFIED THAT ALL OF THESE CHECKS CLEARED THE BANK AND WERE WRITTEN TO ARTHUR VEREEN CONSTRUCTION.
Q DID YOU SEE ANY CHECKS WRITTEN OUT OF THE A&E ACCOUNT THAT WEREN'T SIGNED BY ARTHUR VEREEN?
A NO. IT SEEMS LIKE ALL THE CHECKS WERE SIGNED BY SAME INDIVIDUAL AND I CAN'T SWEAR THAT, THAT SIGNATURE SAYS ARTHUR VEREEN, BUT I THINK THAT'S HIS.
Q NUMBER 14 IS WHAT?
A THESE WERE TWO CHECKS TO CAROLINA FIRST BANK. ONE OF THEM WAS NOTED FOR THE HORRY COUNTY TAX OFFICE, BUT I WASN'T SURE WHAT THEY WERE.
Q WHAT AMOUNT OF THOSE CHECKS DID YOU ATTRIBUTE TO BE PERSONAL EXPENSES FOR MR. VEREEN?

A I ATTRIBUTED ALL OF THEM. INITIALLY, I THINK THERE WAS A CHECK -- I DON'T KNOW IF IT WAS THIS YEAR, BUT THEY PROVIDED INFORMATION FOR -- THERE WAS A CHECK TO CAROLINA FIRST. I DON'T HAVE THE FINAL BOOK, BUT THEY CAME BACK AND PRODUCED AN INVOICE FOR. I DON'T THINK IT WAS THIS CHECK.

Q IF THEY PRODUCED AN INVOICE, DID YOU ADJUST YOUR FIGURES LATER ON?

A IF I DID -- IF THEY PROVIDED AN INVOICE AND THEY HAD NOT ALREADY BEEN PAID FOR IT, IT WOULD HAVE BEEN ADJUSTED ON MY BOOKS THE FINAL YEAR.

Q NOW, WE GO INTO 15. IT SAYS, "PARK PLACE EXPENSES, PAYROLL". TELL ME HOW YOU DIVIDED UP THE FOUR REFERENCE NUMBERS ON PARK PLACE PROPERTIES?

A WHAT I TRIED TO DO WITH THESE SPREADSHEETS IS SO WE COULD HAVE AN EXACT MATCH AND TRACE THE NUMBERS BACK. I COPIED THESE DOWN AS THEY HAD BEEN RECORDED ON THE JOB LEDGER. I THINK THE FIRST ONE, WE'RE ON 15, CORRECT, PARK PLACE?

Q YES.

A THE 9-41-50 IS THE TOTAL THAT THEY KEYED TO PARK PLACE PROPERTIES PAYROLL, WHICH WOULD HAVE BEEN 22,001.

Q THAT WOULD BE THE POINTE MARSH PROJECT VERSES

THE PUTT-PUTT?

A WE'RE TALKING ABOUT PARK PLACE, RIGHT?

Q CORRECT.

A WELL, HERE IT JUST SAYS, "PARK PLACE".

Q THE NEXT ONE SAYS, "PARK PLACE, OTHER, OTHER, OTHER". WHAT DOES THAT MEAN? IS THIS SOMETHING YOU TOOK OFF THE JOB LEDGERS?

A YES. I TOOK IT OFF. THIS IS THE WAY IT WAS RECORDED ON THE JOB LEDGER AT THAT TIME. I DON'T THINK I KNEW WHAT ALL THE CODING WAS, LIKE ALL THE 22,000 WERE PARK PLACE. I THINK SOME OF THEM WERE SUBCONTRACTORS. SOME OF THEM WERE MATERIALS. SOME -- I COULDN'T TELL THE LABOR BECAUSE OF THE -- IT SAYS, "PRJ", WHICH I KNOW IS PAYROLL JOURNAL, BUT I WASN'T EXACTLY SURE WHEN IT SAID, "OTHER" IF IT WAS THE ACTUAL MATERIAL INVOICE OR IT WAS FOR A SUBCONTRACTOR. BUT THEY WERE ALL UNDER THE JOB LEDGER FOR PARK PLACE.

Q THESE WERE JOB EXPENSES SHOWN ON THE BOOKS AND RECORDS OF THE COMPANY?

A CORRECT.

Q GOING TO 16, "POINTE MARSH EXPENSES". WHERE DID YOU GET THE 4,385?

A THERE AGAIN, THAT WAS A JOB LEDGER REPORT THAT

WAS ENTERED IN THE COMPUTER AS A POINTE MARSH JOB. THAT WAS THE TOTAL EXPENSE FOR 2004 THAT THEY HAD KEYED TO THAT COMPANY, 4,385.

Q AND POINTE MARSH WAS OWNED BY PARK PLACE PROPERTIES?

A I BELIEVE SO.

Q UNDER 17 YOU'VE GOT, "PARKWAY OFFICES". WAS THAT A JOB LEDGER ALSO?

A I'M SORRY. WHICH ONE WAS THAT AGAIN, PARKWAY OFFICES?

Q YES. 17.

A YES. I'M SORRY.

Q YOU'RE SAYING YES? IT WAS A JOB LEDGER?

A YES. THERE WAS A JOB CODED "32,000 1, 2, 3, AND 4 AS PARKWAY OFFICES" AS A JOB.

Q IS IT LISTED AS "CONSTRUCTION IN PROGRESS"?

A YES. I BELIEVE IT WAS ON THE TAX RETURN.

Q DOWN FURTHER YOU'VE GOT CHECKS TO PARKWAY OFFICES 13,123.21?

A YES. THAT WAS SEPARATE CHECKS THAT WERE NOT CODED ON THE JOB LEDGER REPORT THAT WERE WRITTEN TO PARKWAY OFFICES.

Q NOW, WHY IS THAT LISTED IN THIS COMPILATION?

A BECAUSE I WASN'T EXACTLY SURE. THERE WERE SOME THAT WERE CODED 'TO RENT'. I THINK THERE WERE A

COUPLE, BUT I DIDN'T KNOW WHAT THEY WERE. THERE WAS NO CLASSIFICATION ON THE BOOKS EXACTLY AS TO WHAT THEY WERE FOR.

Q WAS THIS AT THE TIME THE PROPERTY WAS OWNED BY A&E? WHEN THE RENT WAS PAID?

A I THINK THE FIRST ONES WERE -- I THINK, THE BUILDING CAME OUT AROUND JUNE IF I'M NOT MISTAKEN.

Q JUNE OF WHAT YEAR?

A 2004.

Q THE PROPERTY WAS TRANSFERRED?

A I THINK IT WAS TRANSFERRED OUT WHEN WE LOOKED AT THAT LATER, WHEN I SAW THE RENT PAYMENTS.

Q PLANTATION LAKES IS 18. WAS THAT A JOB LEDGER WITH THE COMPANY?

A YES. THAT WAS SET UP AS A JOB AS WELL.

Q DO THOSE NUMBERS REFLECT THE VARIOUS EXPENDITURES BY THE COMPANY ON THAT PARTICULAR JOB LEDGER?

A YES, SIR.

Q NOW, PLANTATION LAKES WAS BOOKED AS A ARTHUR VEREEN JOB ON THE CORPORATE RECORDS?

A NO. IT WAS BOOKED ON THE RECORDS OF A&E.

Q CORRECT. JUST AS PLANTATION LAKES?

A OH, YES. I'M SORRY. I THOUGHT YOU SAID IT WAS

AN ARTHUR VEREEN JOB.

Q NO, NO, NO, NO. WHO OWNED THE PLANTATION LAKES HOUSE?

A WHO OWNED THE HOUSE?

Q YES. AT THE TIME THE CONSTRUCTION WORKERS WERE DONE?

A I THINK WAYNE VEREEN DID.

Q THOSE REFLECT WHAT THE JOB LEDGER SHOWS WAS PAID IN 2004 FOR THE VARIOUS EXPENSES?

A CORRECT.

Q GOING DOWN TO 18, 19, 20, 21, THOSE WERE REFLECTED TO THE JOB LEDGERS FOR VARIOUS FAMILY MEMBERS OF MR. VEREEN?

A CORRECT.

Q WHY HAVE YOU SHOWN THEM IN THIS COMPILATION?

A I DON'T HAVE MY ACCOUNTING BOOKS RIGHT NOW. I'M NOT SURE IF IT WAS IN 2004 OR '05 THAT SOME OF THESE WERE PUT HERE BECAUSE I REALIZED THEY WERE FAMILY MEMBERS, BUT THEY WERE KEPT HERE BECAUSE WHEN I LOOKED AT THE RECORDS OF THE ACCOUNTANT -- THAT THE ACCOUNTANT HAD DONE, THESE WERE JOBS THAT HAD A SUBSTANTIAL AMOUNT OF EXPENSE, BUT THERE WAS NO INCOME. SO THE ACCOUNTANT HAD ACTUALLY WRITTEN A JOB OFF AS A LOSS AND THAT'S WHAT TRIGGERED ME AS TO PUTTING ALL OF THESE ON

THERE. NONE OF THESE, TO MY KNOWLEDGE, I KNOW PLANTATIONS LAKES NEVER RECORDED ANY INCOME. SOME OF THE OTHERS DID GET SOME MONEY IN EVENTUAL YEARS, BUT ...

Q AND THEY WERE CREDITED LATER YEARS?

A THEY WERE CREDITED, YEAH. WHENEVER THE DEPOSITS CAME IN. I DON'T THINK THERE WAS ANY DEPOSITS ON THOSE JOBS AT ALL.

Q WHAT IS THE SUM TOTAL AT THE END OF THE CALENDAR YEAR 2004 THAT YOU HAVE CHARGED TO MR. VEREEN OR THE VEREEN ENTITIES?

A THE SUB-TOTAL OR THE TOTAL?

Q THE SUM TOTAL?

A SUM TOTAL. SORRY. 625,332.44.

Q DID YOU BREAK THAT DOWN BELOW? I SEE THE NUMBERS 138,891.95 ON THAT LIST. WHAT DOES THAT REFLECT?

A THAT IS A TOTAL OF EXPENSES THAT I CHARGED AGAINST HIM AND IS TAKEN OUT OF WHATEVER ACCOUNT THAT THE PRIOR ACCOUNTANT HAD EXPENSED IT ON THE TAX RETURN. SO, WHAT I TRIED TO DO WAS MAKE THE ADJUSTMENT AND THEN COMPILE A FINANCIAL STATEMENT WITH THESE NUMBERS AS THEY SHOULD HAVE BEEN IF YOU TAKE OUT THESE EXPENSES. SO THEY HAD CHARGED $138,000.00 FOR CONSTRUCTION AND IT

WASN'T REALLY A CONSTRUCTION JOB OR ONE OF A&E'S JOBS. I TOOK THAT EXPENSE BACK OUT OF THE CONSTRUCTION COSTS.

Q NOW, DID YOU DO THE SAME TYPE OF WORK FOR 2005, 2006, 2007?

A YES, SIR.

Q ON 2005, IF YOU WILL, KIND OF GO DOWN YOUR LIST OF WHAT YOU DID IN THE CALENDAR YEAR OF 2005?

OFF THE RECORD.

Q MRS. BRADY, IF YOU WILL GO TO 2005, WE ARE GOING TO REFERENCE NUMBER 2, PRUDENTIAL INSURANCE, WAYNE'S LIFE INSURANCE.

A OKAY.

Q WHAT WAS THAT CHARGE AGAINST MR. VEREEN?

A THAT WAS LIFE INSURANCE, I THINK, ON MR. VEREEN'S LIFE.

Q WHERE DID YOU GET THIS FIGURE FROM?

A THIS WAS VERIFIED OFF THE BANK STATEMENT AS A DRAFT.

Q THAT WOULD BE FROM THE BANK STATEMENTS OF A&E?

A A&E, YES, SIR.

Q THAT WAS IN WHAT AMOUNT?

A THE TOTAL AMOUNT WAS $5,229.60.

Q NUMBER 3 SAYS, "GREEN TURTLE, BAHAMAS LANE VACATION". WHAT IS THAT ACCOUNTS RECEIVABLE AND

TELL ME HOW YOU GOT IT?

A THAT WAS ACTUALLY CODED ON THE BOOKS AS A JOB AS WELL, AND I KNOW THAT GREEN TURTLE WAS A LOCATION IN THE BAHAMAS. SO, I LOOKED INTO THAT AND VERIFIED WITH MR. SMITH I BELIEVE THAT, THAT IS A HOME IN THE BAHAMAS. THEY HAD SET IT UP AS A JOB. SO, THOSE WERE THE EXPENSES FROM THE JOB LEDGER.

Q 6,310.38?

A YES, SIR.

Q 5 SAYS, "PERSONAL WAREHOUSE RENTAL, ACORN". THAT WOULD BE THE SAME THING WE WENT THROUGH BEFORE?

A YES, SIR.

Q 6 IT SAYS, "SHELL, WAYNE'S DAUGHTER". TELL ME HOW YOU CAME UP WITH THAT FIGURE?

A THERE AGAIN, I WAS TOLD THAT WAS A CREDIT CARD FOR WAYNE'S DAUGHTER.

Q YOU CHARGED THOSE EXPENSES TO ...

A INCOME.

Q THAT WAS IN THE TOTAL AMOUNT OF $2,339.57?

A YES, SIR.

Q THE NEXT NUMBER IS 29TH PLACE, THE HOMEOWNERS ASSOCIATION DUES. WE'VE BEEN THROUGH THAT BEFORE?

A YES, SIR. THEY ARE THE SAME EXPENSES OF 2004.
Q THAT WAS TAKEN FROM THE CHECKS WRITTEN OUT OF A&E TO 29TH PLACE HOA?
A YES, SIR.
Q YOU VERIFIED THOSE CHECKS?
A I DID VERIFY THOSE CHECKS.
Q SURFSIDE CLEANERS WOULD BE THE SAME AS LAST YEAR?
A YES, SIR.
Q IS THAT VERIFIED FROM CHECKS IN THE A&E LEDGER?
A VERIFIED FROM THE GENERAL LEDGER AND THE CHECKS FROM THE BANKS STATEMENTS.
Q AND THAT'S IN THE TOTAL OF $3,769.85?
A YES, SIR.
Q THE NEXT CHECK IS TO CAROLINA FIRST BANK AND THAT IS SHOWING 23,289.75. COULD YOU TELL ME WHAT THAT IS OR HAVE YOU GOT IT?
A THIS WAS A CHECK THAT WAS WRITTEN. IT JUST SAID CAROLINA FIRST BANK AND WE HAD NO BACKUP AND THERE WERE NO ACCOUNTS ON THE BOOKS THAT A&E SHOULD HAVE BEEN WRITING A CHECK TO CAROLINA FIRST. AND I DO BELIEVE AS I TESTIFIED EARLIER, THERE WAS A CHECK AT ONE POINT THAT THEY HAD VERIFIED. I BELIEVE IT IS THIS ONE INSTEAD OF THE ONES FROM 2004 THAT THEY CAME BACK LAST WEEK

AND VERIFIED THAT THEY HAD INVOICES FOR.

Q I SEE A NOTATION IN THE BACK OF NUMBER 10 REGARDING SOMETHING THAT WAS FOUND WITH SMITH SAPPS RECORDS?

A I'M SORRY. WHAT ARE YOU REFERRING TO?

Q ON THE BACK OF NUMBER 10 IT SAYS, "ALREADY RECORDED AS PERSONAL EXPENSES - WAYNE - PER ACCOUNTANT"?

A YES. THOSE WERE TWO OTHER CHECKS TO CAROLINA FIRST THAT I WAS GOING TO TAKE OUT AND QUESTION AND THEN WHEN I LOOKED AT THE BOOKS, THE TAX RECORDS OF SMITH SAPP ACCOUNTING FIRM, HAD ALREADY CHARGED THOSE AS AN ACCOUNTS RECEIVABLE FROM WAYNE, SO I DIDN'T WANT TO DUPLICATE IT.

Q SO IT HAD ALREADY BEEN CHARGED TO HIM ON THE BOOKS AND RECORDS OF THE COMPANY AND THE TAX RETURNS?

A I'M NOT SURE THEY RECORDED IT ON THE COMPANY BOOKS, BUT THEY WERE ON THE TAX RETURNS THAT WAY.

Q OKAY. GOT'CHA. 11, BANKERS LIFE. THAT WOULD BE LIKE BEFORE, A CHECK MADE TO BANKER'S INSURANCE?

A IT WAS BANKERS INSURANCE AND IT REFERRED TO 29TH PLACE. SO, THAT ONE WAS PULLED.

Q HOW MUCH WAS THE AMOUNT OF THAT CHECK?
A $924.43.
Q THAT'S HIS PERSONAL CONDOMINIUM?
A I BELIEVE IT IS.
Q 12 IS CHECKS TO PROVIDENT LIFE AND ACCIDENT?
A YES. I THINK I WAS TOLD THAT THOSE WERE MR. VEREEN'S LIFE INSURANCE AS WELL.
Q AND YOU TOOK THOSE FROM THE CHECKING ACCOUNT RECORDS OF A&E?
A YES, SIR. FROM THE GENERAL LEDGER AND VERIFIED THE CHECKS.
Q SHOULD HE BE PAYING FOR INSURANCE OUT OF THE ACCOUNT?

MS. COOK: YOUR HONOR, OBJECT TO THAT QUESTION.

JUDGE HOWE: RE-WORD THAT MR. DURANT.

Q MRS. BRADY, WERE THESE CHECKS MADE PAYABLE TO PROVIDENT LIFE AND ACCIDENT FROM A&E?
A YES, THEY WERE.
Q WAS THAT FOR A JOB OR AN EXPENSE OF A&E?
A I BELIEVE IT WAS A LIFE INSURANCE ON MR. VEREEN.
Q HIS PERSONAL INSURANCE?
A YES, SIR. NOT FOR THE BUSINESS.
Q HOW MUCH WERE THE AMOUNTS OF THOSE CHECKS?
A $3,744.60.

Q ON THE BACK IT SHOWS THESE WITH TWO CHECKS WRITTEN OUT OF THE A&E ACCOUNT?
A YES, SIR.
Q AND NUMBER 13 IS A CHECK -- IT SAYS, "CHECK TO DAUPHIN". WHY WAS THIS PUT IN THE BOOK?
A I DIDN'T HAVE ANY IDEA WHAT IT WAS. IT WAS CODED ON THEIR BOOKS AS AN EQUIPMENT REPAIRS AND MR. SMITH COULD NOT RECALL WHAT IT WAS FOR.
Q SO YOU CHARGED THAT TO MR. VEREEN'S ACCOUNT, $6,290.86?
A YES. I CHARGED THAT OR CHALLENGED THAT EXPENSE.
Q WAS THERE ANY DOCUMENTATION IN THE RECORDS OF THIS EXPENSE?
A NOT IN THE RECORDS OF A&E THAT I HAD.
Q 14 IS CHECKS TO "SIGN WORKS"?
A YES, SIR.
Q WHERE DID YOU GET THESE CHECKS, LOOKING ON THE DOCUMENTATION FOR 14, WERE THOSE THREE CHECKS WRITTEN FOR THE A&E ACCOUNT?
A YES. ALL OF THEM ARE WRITTEN FROM THE A&E ACCOUNT. I THINK THE FIRST TWO THERE WAS NO REFERENCE TO WHAT THEY WERE. THE THIRD CHECK THAT DOES NOT HAVE AN AMOUNT WAS CHARGED TO PARK PLACE JOB, BLACK PEARL AS A JOB COST AND I THINK, AS I SAID EARLIER, IF IT WAS CHARGED TO A

PARTICULAR JOB AND THAT JOB WAS CHARGED WITH THE EXPENSES. I DIDN'T REALLY GO A LOT DEEPER TO QUESTION THE EXPENSES.

Q YOU DIDN'T CHARGE THE FIRST TWO TO MR. VEREEN 'CAUSE THEY HAD ALREADY BEEN CHARGED TO HIM?

A NO. I DID THE FIRST TWO. I QUESTIONED BECAUSE THEY WERE NOT REFERENCES TO A JOB.

Q BUT THE THIRD ONE YOU DID NOT?

A THE THIRD ONE I DID NOT CHARGE TO MR. VEREEN BECAUSE IT WAS CODED AS A JOB EXPENSE AND CODED TO A PARTICULAR JOB.

Q WERE THESE CHECKS WRITTEN AROUND THE SAME TIME IN THE SAME YEAR?

A TWO OF THEM ARE WRITTEN, I THINK IT WAS SAME DAY AND THEN THE THIRD ONE WAS WRITTEN, I THINK, THREE OR FOUR MONTHS LATER.

Q NUMBER 15 SAYS, "COASTAL PAVING". CAN YOU TELL ME WHAT THAT IS?

A I THINK THAT IS THE PARKING LOT. PAVING THE PARKING LOTS AT THE OFFICE.

Q THE OFFICE IS OWNED BY WHO?

A I THINK NOW IT'S EITHER PARKWAY OFFICES OR LINDA VEREEN. I CAN'T REMEMBER. I KNOW THE BUILDINGS ARE IN TWO DIFFERENT NAMES, THE TWO DIFFERENT BUILDINGS. I KNOW IT'S NOT IN A&E ANY LONGER.

Q YOU CHARGED THAT TO AN ACCOUNT RECEIVABLE TO MR. VEREEN?
A MR. VEREEN AND ONE OF HIS ENTITIES.
Q YOU HAVE 16. IT SAYS, "CHECKS OR DRAFTS TO MBNA"?
A YES, SIR.
Q TELL ME HOW YOU REACHED THAT FIGURE?
A MOST OF THESE WERE CODED PER THE ACCOUNTANT AS A GENERAL EXPENSE. I THINK THE LAST TWO MIGHT HAVE REFERENCED WILLOUGHBY, BUT THE FIRST FOUR HAD NO JOB. THEY WERE REFERENCED TO -- AND I KNOW THAT THAT'S A CREDIT CARD AND I DON'T THINK THERE WAS A CREDIT CARD IN THE COMPANY NAME FOR MBNA. SO, I PULLED THOSE OUT AND QUESTIONED THEM.
Q DID YOU CHALLENGE EVERY ONE OF THEM? THE $12,000.00 FIGURE REFERENCES A DRAFT AND FIVE CHECKS?
A CORRECT. I BELIEVE I DID. YES, I DID.
Q AND WAS THERE ANY DOCUMENTATION IN THE RECORDS IN A&E AS TO THESE BEING BUSINESS EXPENSES?
A NO, SIR. LIKE I SAY, I THINK TWO OF THE CHECKS HAD SOMETHING, I THINK, IT MIGHT HAVE REFERENCED WILLOUGHBY.
Q WAS THERE AN INVOICE?

A THERE ARE NO INVOICES, NO.
Q WERE THE EXPENSES CHARGED TO THE WILLOUGHBY ACCOUNT?
A NO, THEY WERE NOT.
Q NUMBER 17, THIS IS PARK PLACE EXPENSES. DOES THIS REFLECT EXPENSES FROM A JOB LEDGER FOR 2005 FOR PARK PLACE PROPERTIES JOB?
A YES. THIS IS THE SAME AS 2004 BUT THIS IS THE JOB LEDGER THAT WAS FOR THE YEAR 2005. IT DOES NOT COUNT 2004 YEARS BUT IT IS SIMILAR.
Q THIS IS WHAT'S CALLED THE PUTT-PUTT VERSUS POINTE MARSH?
A CORRECT.
Q THIS IS THE SUM TOTAL OF THE JOB LEDGERS FOR EXPENDITURES ON THE PUTT-PUTT JOB?
A FOR 2005. IT IS NOT A BALANCE FORWARD.
Q DID YOU BREAK THAT DOWN BASED UPON THE VARIOUS ACCOUNTS AS TO LABOR, MATERIALS AND WHATNOT?
A CORRECT. THERE AGAIN, SO MY TOTALS WOULD TIE BACK TO THE COMPUTER RECORDS.
Q SO, NUMBER 18 IS THE SAME THING FOR THE PARKWAY OFFICE JOB?
A YES, SIR.
Q AND YOU TOOK THOSE TOTALS FROM THE BUSINESS RECORDS OR THE JOB LEDGERS OF A&E?

A FOR THE JOB LEDGER FOR PARKWAY OFFICES OFF OF THE A&E SOFTWARE, PEACHTREE SOFTWARE.

Q THERE'S BEEN SOME TESTIMONY CONCERNING PARKWAY OFFICES IN A JOB LEDGER VERSUS SOME OFFICE JOB LEDGERS. WHERE DID YOU GET THIS FIGURE FROM? WHICH JOB LEDGER? WAS THIS AN EXPENSE SHOWN AS THE PARKWAY OFFICE JOB LEDGER?

A YES. THIS JOB WAS ACTUALLY ON THE JOB LEDGER.

Q WAS IT AN EXPENSE SHOWN AS THE PARKWAY OFFICE JOB LEDGER?

A THIS JOB WAS ACTUALLY ON A JOB LIST AS A JOB JUST LIKE ALL THE OTHER JOBS WERE. I THINK THERE WAS SOME QUESTION ABOUT SOME THINGS CODED TO THE OFFICE. THERE WAS NOT A JOB PER SE ON THE JOB LIST AS OFFICE. THERE WAS A SHOP THAT DIDN'T REALLY HAVE A LOT OF CHARGES IN IT THROUGHOUT THE YEAR, BUT TO MY KNOWLEDGE, AND I DO HAVE THE JOB LIST SOMEWHERE, THERE WAS NOT A JOB SET UP AS OFFICE OTHER THAN THIS ...

Q YOU DIDN'T PUT THE SHOP EXPENSE ON THE PARKWAY OFFICES TOTAL, DID YOU, SUSAN?

A NO. I DON'T THINK I EVEN PULLED THAT OUT AT ALL, ASSUMING THAT WAS SOMETHING DONE AROUND THE SHOP OR THE OFFICE.

Q NUMBER 19 IS PLANTATION LAKES. WAS THIS TAKEN

FROM THE JOB LEDGER OF A&E CONCERNING THE EXPENDITURES OF THE COMPANY FUNDS FOR THE PLANTATION LAKES JOB?

A YES, SIR.

Q AND THAT WOULD BE THE ACCOUNT FOR 2005 ONLY?

A 2005 ONLY, CORRECT.

Q DO YOU SHOW THAT AS ACCOUNTS RECEIVABLE FOR MR. VEREEN?

A CORRECT.

Q NUMBER 20 IS THE GAYLE PERRY HOUSE? YOU'RE SHOWING $545.00. IS THAT A JOB LEDGER EXPENSE ALSO?

A YES.

Q AND YOU'RE JUST REFLECTING THE AMOUNT THAT'S SHOWN ON THE JOB FOR GAYLE PERRY, WHO IS MR. VEREEN'S SISTER? GAYLE PERRY?

A I'M SORRY. JUST ONE SECOND PLEASE. I'M SORRY. WHAT WAS YOUR QUESTION AGAIN?

Q YOU'RE SHOWING THAT THE NET AMOUNT OF THIS DUE ON THE GAYLE PERRY JOB FOR 2005?

A CORRECT.

Q YOU GAVE THEM CREDIT FOR A $105.00 PAYMENT?

A YEAH. I THINK IT SAYS A CREDIT ADJUSTMENT FOR CLEANER.

Q THE NEXT NUMBER IS LICHFIELD MEDICAL CENTER.

WAS A JOB LEDGER ON THE A&E BOOKS?

A YES.

Q AND YOU'RE SHOWING VARIOUS ACCOUNTS SET UP ON THAT JOB LEDGER FOR LITCHFIELD MEDICAL CENTER ACCOUNT SHOWN ON THE JOB LEDGERS.

A YES.

Q WAS THIS A JOB OF ARTHUR VEREEN CONSTRUCTION INITIALLY?

A I THINK Y'ALL HAVE SAID THAT IT WAS A JOB OF ARTHUR VEREEN CONSTRUCTION INITIALLY. I DON'T HAVE ANY WAY OF REALLY KNOWING FROM THE ACTUAL BOOKS.

Q THESE REFLECT THE CHECKS THAT WERE WRITTEN OUT OF A&E FOR THE LICHFIELD MEDICAL CENTER JOB LEDGER?

A CORRECT.

Q NUMBER 22 IS SEVEN OAKS. IT'S GOT FOUR CATEGORIES. ARE THESE TAKEN FROM THE JOB LEDGERS OF THE COMPANY?

A CAN I INTERRUPT YOU A SECOND?

Q SURE.

A I DON'T KNOW IF YOUR BOOK -- I JUST NOTICED THIS BOOK HAS THE LITCHFIELD AMOUNT AND BEHIND IT, IT DOES HAVE A CUMULATIVE COST LEDGER THAT'S NOT REFERENCED. SO, THAT IS THE BALANCE GOING

FORWARD, BUT YOUR NUMBER WOULD BE THE THIRTY-ONE BUT ON THE SHEET IT HAS THE ACTUAL -- JUST THE CURRENT YEAR.

Q THE CURRENT YEAR TOTAL?

A THE CURRENT YEAR TOTAL, YEAH. SOMETIMES I PRINTED IT OUT TO VERIFY THE NUMBERS.

Q THE TOTAL AMOUNT IS $4,348.60?

A YES.

Q NUMBER 22 IS THE SEVEN OAKS JOB LEDGER?

A YES, IT IS.

Q DO THOSE REFLECT THE JOB LEDGERS FOR THE SEVEN OAKS JOB INCLUDED IN THE BOOKS AND RECORDS OF A&E?

A CORRECT.

Q AND THESE EXPENSES REFLECT THOSE VARIOUS ACCOUNTS OF THE COMPANY ON THE SEVEN OAKS JOB LEDGER?

A CORRECT.

Q AND THAT'S FOR THE CALENDAR YEAR 2005?

A CORRECT.

Q MURRELL'S INLET HOME, NUMBER 23, THAT WOULD BE MR. AND MRS. VEREEN'S HOME?

A YES.

Q AND THAT IS SET UP AS A JOB LEDGER FOR MURRELL'S INLET HOME?

A YES. THAT'S THE WAY IT WAS ON COMPANY.
Q DO THOSE REFLECT THE ACTUAL CHECKS AND EXPENDITURES OF THE COMPANY ON THE JOB LEDGER FOR THE MURRELL'S INLET HOME?
A CORRECT.
Q NUMBER 24 IS POINTE MARSH. IS THAT A JOB FOR APARTMENT PROPERTIES?
A YES.
Q WERE THESE TOTALS TAKEN FROM THE JOB LEDGERS OF A&E FOR THAT PARTICULAR JOB FOR THE VARIOUS SUBCATEGORIES?
A CORRECT.
Q THESE REFLECT THE EXPENDITURES OF THE COMPANY ON THAT PARTICULAR JOB LEDGER?
A CORRECT.
Q SO, YOU ARE SHOWING $74,000.00 PAID BY THE COMPANY TO THE POINTE MARSH JOB IN 2005? THE FIRST ONE BEING THE PAYROLL JOB?
A I THOUGHT YOU SAID THE TOTAL COST.
Q NO, NO. YOU CAN GIVE ME BOTH, ONE OR BOTH?
A THE TOTAL FOR THE PAYROLL WAS THE 74,000.00.
Q THE TOTAL FOR THE SECOND SUBCATEGORY, IS THAT FOR MATERIALS?
A I BELIEVE SO. I DON'T HAVE THE JOB LISTED IN FRONT OF ME THAT DISCUSSES WHAT THE NUMBERS ARE

BUT I THINK LOOKING AT THE CATEGORIES, IT LOOKS LIKE THAT'S THE MATERIAL SECTION OF IT.

Q GOING TO YOUR JOB LEDGERS ON THE BACK OF TAB 24, WHAT WAS THE TOTAL AMOUNT EXPENDED BY THE COMPANY ON THE POINTE MARSH JOB IN 2005?

A $784,220.65.

Q AND YOU'RE REFLECTING PAYMENTS RECEIVED OF HOW MUCH THAT YEAR?

A I BELIEVE IT WAS 325,000.00.

Q AND WHAT IS THE TOTAL AMOUNT THAT WAS EXPENDED THAT WAS NOT REIMBURSED ON THE JOB LEDGER FOR POINTE MARSH FOR CALENDAR YEAR 2005?

A 446,993.72 ACCORDING TO THE JOB LEDGER.

Q GOING NEXT TO NUMBER 25 IS BRIAN MAULDIN. BRIAN MAULDIN IS A FAMILY MEMBER OF MR. VEREEN?

A (NO RESPONSE.)

Q WAS THIS A JOB LISTED ON JOB LEDGER OF A&E?

A YES.

Q AND WHAT WAS THE TOTAL AMOUNT OF EXPENDITURES BY THE COMPANY AFTER RECEIPT OF ANY CREDITS FOR THE BRIAN MAULDIN JOB?

A 2,065.50.

Q AND YOU CHARGED THAT TO MR. VEREEN ALSO?

A CORRECT.

Q AND YOU GOT NUMBER 26 SAYS, "OTHER RECEIVABLES."

CAN YOU TELL THE COURT WHAT THAT IS?

A THIS WAS ACTUALLY PULLED FROM SMITH SAPP'S OFFICE. I MEAN, FROM THE TAX RETURN THEY HAD DONE AND I PULLED IT TO SEE EXACTLY WHAT THE RECEIVABLES WERE.

Q THIS WOULD BE THE TAX RETURNS DONE BY SMITH SAPP FOR A&E?

A FOR THE YEAR 2005, CORRECT.

Q AND YOU ADDED THESE AMOUNTS AND WHAT WERE THEY FOR?

A THEY ALREADY HAD THE ACCOUNTS ON THE BOOKS AS IF THEY WERE RECEIVABLES TO THE COMPANY, BUT I LOOKED ON THERE TO SEE WHAT THEY WERE, AND I THINK I WAS TOLD THE TRAIL BLAZER WAS WAYNE DAUGHTER'S AUTO. THE MCCGB PAYMENT, I DID NOT KNOW WHAT IT WAS, AND THE OTHER GMAC PAYMENT, WHICH IT REFERENCES HERE, SAM'S. I DON'T REALLY KNOW WHAT THESE WERE. THERE WAS NO BACKUP ON THE TAX RETURN TO TELL ME WHAT THEY WERE. SO, THEY WERE QUESTIONED.

Q SO THEY WERE CHARGED TO MR. VEREEN ON THE TAX RETURN?

A NOT ON THE TAX RETURN. THEY WERE ON THE TAX RETURN. THEY WERE LISTED AS A RECEIVABLE TO THE COMPANY.

Q BY VEREEN TO A&E?
A IT JUST SAYS, "OTHER RECEIVABLES." IT DIDN'T REALLY SPECIFY WHO OWED THE MONEY.
Q AND THE OTHER ITEMS DOWN HERE ARE -- NUMBER 27, WHAT IS THAT? I DON'T SEE A BACK UP IN MY BOOK.
A I THINK I KNOW WHAT THAT IS BUT I WOULD RATHER VERIFY IT BEFORE I SAY.
Q WHAT DO YOU THINK IT IS?
A I'M THINKING THAT, THAT MIGHT HAVE BEEN TRUCK PAYMENTS.
Q NOW?
A THERE WAS A BACKUP AND I WOULD HAVE TO LOOK. LIKE I SAY, I WOULD HATE TO SAY FOR SURE UNTIL I HAVE THAT.
Q NUMBER 27, AGAIN, IS WAYNE'S PROPERTY TAX, 16,572.12. DOES THAT REFLECT A CHECK MADE BY A&E TO THE HORRY COUNTY TAX OFFICE IN THAT AMOUNT?
A I'M SORRY. WHAT NUMBER WAS THAT AGAIN?
Q WELL, IT'S SHOWING AS 27 ON MY BOOK.
A YES. THERE WAS A CHECK WRITTEN.
Q IS THAT A HAND WRITTEN CHECK?
A IT WAS A HANDED WRITTEN CHECK, YES, SIR.
Q BY MR. VEREEN?
A I THINK IT'S HIS HAND WRITING. IT LOOKS LIKE

OTHER ONES THAT WERE HAND WRITTEN.

Q I SEE ON THE BACK ARE COPIES OF STATEMENTS. DOES A&E OWN ANY REAL PROPERTY?

A NOT AT THIS TIME TO MY KNOWLEDGE.

Q AND THEN THE SECOND TAX BILL IS IN THE AMOUNT OF 5,510.00.00, I BELIEVE, AND YOU CHARGED $356.00 TO MR. VEREEN?

A I'M SORRY. THAT QUESTION AGAIN?

Q IT'S DOWN ON 27. IT SAYS, "HORRY COUNTY TAX. WAYNE'S PROPERTY TAX, $356.00." WHAT WAS THAT FOR ON YOUR RECORDS?

A I DON'T SEE THE BACKUP HERE. THE OTHER WORK BOOKS OF MINE, ARE THOSE IN OR NO?

Q YOU CAN LOOK AT ANYTHING YOU WANT TO. DO YOU HAVE OTHER WORK BOOKS WHICH WOULD HAVE THAT?

A YES. SEE, THE OTHER WORK BOOKS ARE THE BLUE BOOKS THAT I USED TO BACK UP THIS. CAN I LOOK AT THOSE?

Q SURE.

A OKAY. CHECK 3107 THAT WAS RECORDED ON APRIL 22ND OF `05. WITHOUT HAVING THAT BACKUP, I DON'T KNOW IF IT WAS FOR A PERSONAL EXPENSE. I JUST QUESTIONED IT BECAUSE THE BACKUP WAS NOT IN THE BACK OF THE BOOK.

Q THERE WAS A CHECK WRITTEN?

A TO HORRY COUNTY TAX OFFICE.
Q FOR PROPERTY TAXES?
A FOR PROPERTY TAXES.
Q ALRIGHT. GOING DOWN YOU'VE GOT A CHARGE FOR A CITY OF NORTH MYRTLE BEACH PERMIT FOR PARK PLACE. WAS THAT A CHECK FROM A&E TO THE CITY OF NORTH MYRTLE BEACH?
A YES.
Q HOW MUCH WAS THAT CHECK FOR?
A $9,045.00.
Q DID HE CHARGE THAT AS AN ACCOUNT RECEIVABLE TO MR. VEREEN?
A CORRECT. BECAUSE I THINK THE PARK PLACE JOB WAS ALSO AS A RECEIVABLE.
Q THAT WAS NOT LISTED ON THE JOB LEDGER FOR PARK PLACE PROPERTIES?
A I DO NOT THINK IT WAS.
Q BELOW THAT, YOU'VE GOT LULL RENTAL TO PARK PLACE FOR ELEVEN MONTHS. WHERE DID YOU GET THAT AMOUNT, $20,900.00 FROM?
A THOSE AMOUNTS WERE PROVIDED TO ME FROM MR. SMITH.
Q HE GAVE YOU THE FIGURE OF WHAT THAT SHOULD BE?
A YES, SIR.
Q THE SAME THING WITH THE SKID RENTAL FOR PARK

PLACE FOR SEVEN MONTHS?

A YES, SIR.

Q THOSE ARE FIGURES SUPPLIED TO YOU BY MR. SMITH?

A CORRECT.

Q SO YOUR TOTAL AMOUNTS OF ACCOUNTS RECEIVABLE FOR THE VEREEN ENTITIES FOR THAT YEAR WAS HOW MUCH?

A $1,110,167.77.

Q AND YOUR NEXT PAGE, WHAT DOES THAT REPRESENT WHEN YOU HAVE ALL THESE COSTS AND EXPENSES AFTER THAT NUMBER?

A HERE AGAIN, THIS IS THE WAY THEY WERE CHARGED ON THE EXPENSE TAX RETURNS BY THE OTHER ACCOUNTANT, SMITH SAPP. EITHER IT WAS EQUIPMENT REPAIRS OR INSURANCE OR THEY CAPITALIZED IT AS AN ASSET, LAND AND TELEPHONE. I TOOK IT BACK OUT OF THE SAME ACCOUNT THAT IT WAS ORIGINALLY PUT IN. IT WAS THE FIRST ENTRY, AND THE SECOND ONE WAS A CREDIT BACK TO MR. VEREEN FOR DEPOSITS AND THAT HIS COMPANY, I THINK, SPECIFICALLY WAS PARK PLACE AND POINTE MARSH. THE DEPOSITS THEY MADE INTO THE COMPANY FOR THE YEAR 2005.

Q AND HOW MUCH MONEY WAS PUT IT ON YOUR RECORDS?

A 365,000.

Q AND SO, IS THE AMOUNT THAT'S DUE FOR THIS YEAR, ONE POINT ONE MILLION OR 1.1 MILLION MINUS 365?

A IT WOULD BE MINUS THE 365.
Q THE 365 WILL GIVE CREDIT TO PAYMENTS THAT WERE ACTUALLY DEPOSITED IN THE ACCOUNT FROM ONE OF THEIR SOURCES?
A YES. IT WOULD'VE BEEN CREDITED TO THE RECEIVABLE ACCOUNT. SO, IT WOULD'VE BEEN THE DIFFERENCE BETWEEN ONE MILLION ONE TEN AND THE OTHER 365,000.
Q AND RIGHT BEHIND THAT IS, AGAIN, YOUR RECAP OF THE ASSETS AND LIABILITIES OF THE COMPANY AS REFLECTED ON THE BOOKS?
A CAN YOU SHOW ME WHAT YOU HAVE BEHIND IT `CAUSE I THINK SOME OF THESE BOOKS HAVE GOTTEN OUT OF ORDER. THAT'S AN OLD ONE.
Q THE FIRST PAGE IS A STATEMENT OF THE ASSETS AND LIABILITIES OF THE COMPANY AS OF 2005? MS. BRADY, DO YOU HAVE YOUR PERSONAL COMPUTER HERE?
A I HAVE THE COMPUTER THAT HAS THE BACKUP FOR A&E. I WAS GETTING ...
Q YOU HAVE PEACHTREE SOFTWARE ON YOUR PERSONAL COMPUTER, DO YOU NOT?
A I HAVE THE BACKUP ON HIS COMPUTER. I HAVE THE DISC.
Q SO, YOU HAVE THE COMPUTERIZED RECORDS FOR THE COMPANY BEFORE YOU?

A CORRECT.
Q IN TERMS OF THE JOB LEDGERS AND EXPENDITURES?
A CORRECT. AND I HAVEN'T USED IT AT THIS POINT. I WAS GOING TO LOOK UP THE CHECK THAT YOU WERE ASKING ME FOR THAT THE BACKUP WAS MISSING, BUT I HAVEN'T USED IT FOR ANYTHING TO ANSWER ANY QUESTIONS AT THIS POINT.
Q BUT YOU DO HAVE IT THERE?
A I DO HAVE IT HERE.
Q LET'S GO TO THE CALENDAR YEAR 2006. I'LL HAND YOU THE 2006 BOOK WHICH IS PLAINTIFF'S EXHIBIT "3". YOU CAN USE IT IF YOU WANT TO. THIS IS THE SAME FORMAT AS THE `04 AND THE `05 BOOKS THAT WERE PLAINTIFF'S EXHIBIT NUMBER "1" AND "2". LET ME ASK YOU ONE MORE QUESTION. BACK IN `05, DID MR. VEREEN REPORT THE SUPERVISOR'S FEES THAT ARE SHOWN IN THE 2005 BOOK NUMBER 2, DID HE REPORT THOSE ON HIS INDIVIDUAL TAX RETURNS, THAT INCOME?
A I BELIEVE HE DID NOT.
Q AND DID A&E ISSUE 1099S OR W-2S TO MR. VEREEN FOR THAT INCOME PAID TO HIM BY A&E?
A I HAVE NOT SEEN ANY 1099S THAT WERE ISSUED IN ANY OF THE RECORDS.
Q GOING TO `06, PAGE NUMBER ONE, WHICH ARE CHECKS

PAYABLE AS COMMISSIONS, NUMBER 1 SHOWING $15,000.00. WHAT IS THAT?

A THE 15,000 WAS CODED AS A COMMISSION TO MR. VEREEN.

Q THERE WAS ALSO A CHECK MADE PAYABLE TO MR. SMITH, WAS THERE NOT?

A CORRECT.

Q AND THAT WAS CHARGED TO HIS ACCOUNT ALSO?

A THE ACCOUNTANT HAD ACTUALLY -- YES. I CHARGED THEM BACK TO THE RECEIVABLE ACCOUNTS.

Q TAKING MR. SMITH OFF?

A YES. I DID MR. SMITH'S AS WELL.

Q THE SECOND THING WAS $257.35. IT SAYS, "AUTO EXPENSE". WHAT IS THAT?

A I KNOW WHAT IT IS NOW.

Q OKAY. WHAT?

A AFTER REVIEWING THE INFORMATION THAT MS. COOK BROUGHT TO OUR OFFICE LAST WEEK, THEN WE WENT THROUGH THE EXPENSES. I DON'T KNOW IF I'M GETTING OUT OF LINE HERE, BUT ONE OF THE EXPENSES THEY HAD CHARGED, THE 182.50, WAS FOR SHARPENING OF TOOLS AND THAT HUNDRED DOLLARS WAS AUTO EXPENSE. WE DIDN'T REALLY KNOW WHAT IT WAS SO I PULLED IT OUT HERE, BUT I KNOW ONE OF THE EXPENSES MR. SMITH TOLD THEM THAT HE WOULD

ACCEPT -- THIS IS ACTUALLY THE REIMBURSEMENT CHECK FOR THAT.

Q SO, YOU'VE GIVEN HIM CREDIT FOR THAT SOMEWHERE ELSE BACK?

A WE ACTUALLY GAVE THEM CREDIT FOR IT AND WE HAVE REIMBURSED HIM FOR IT. WE PAID THE BILL AND WE GAVE HIM CREDIT WHEN WE WENT THROUGH THE EXPENSES. MR. VEREEN SAID HE FELT LIKE -- I'M SORRY. MR. SMITH SAID HE FELT LIKE THAT WAS A COMPANY EXPENSE AND HE WOULD AGREE TO ACCEPT IT. AT THAT TIME, I DON'T THINK HE REALIZED THAT HE HAD ALREADY PAID IT. BUT IT WAS PULLED OUT OF HERE. SO, I GUESS IT WAS A WASH.

Q YOU MEAN, THEY CLAIMED IT AS AN EXPENSE AND THE RECORDS SHOW THAT WE HAD ALREADY PAID IT?

A YES.

Q AND THEN AN EMPLOYEE ADVANCE OF $180.00, WHAT IS THAT?

A I'M NOT REALLY SURE WHAT THAT WAS. JUST SAID AN "EMPLOYEE ADVANCE". IT WAS TO MR. VEREEN INSTEAD OF TO THE RECEIVABLE ACCOUNT. THAT'S WHY THAT WAS PULLED OUT.

Q THAT WAS A CHECK PAYABLE TO HIM?

A YES. CHECK WRITTEN IN MARCH OF '06.

Q NUMBER 2 IS PRUDENTIAL INSURANCE. THAT WAS THE

SAME AS THE OTHER CHECKS IN 2004?

A YES. THAT WAS THE DRAFT THAT WAS COMING OUT OF THE ACCOUNT.

Q DID YOU VERIFY THAT THROUGH EXAMINING THE BANK STATEMENTS?

A YES, SIR.

Q NUMBER 3 IS JOHN HANCOCK. THAT WAS ALSO A DRAFT. DID YOU VERIFY THAT, THAT DRAFT CAME OUT OF THE A&E ACCOUNT?

A YES, I DID.

Q GOING ON FURTHER DOWN, ACORN, THE RENTAL, THAT WAS THE SAME THAT WAS CHECKS PAID FOR THE RENTAL THAT YOU VERIFIED FROM THE A&E ACCOUNT?

A YES.

Q NUMBER 5 IS THE SHELL. WAYNE'S DAUGHTER, THAT WOULD BE THE SHELL CARD?

A THE SAME CARD, YEAH.

Q AND YOU CHARGED THAT TO MR. VEREEN AS BEING EXPENSES OF HIS DAUGHTER?

A CORRECT.

Q AND THEN THE NEXT NUMBER WOULD BE NUMBER 8. EXCUSE ME, NUMBER 6. IT SAYS, "29TH PLACE HOMEOWNERS ASSOCIATION DUES". THOSE WOULD BE CHARGES PAID BY THE COMPANY TO THE HOMEOWNERS ASSOCIATION FOR MR. VEREEN'S CONDO?

A CORRECT.
Q YOU VERIFIED THAT FROM THE ACCOUNTS?
A I DID.
Q YOU CHARGED THAT TO MR. VEREEN?
A I DID.
Q NUMBER 7 IS SURFSIDE CLEANERS BILLS? THOSE WERE CHECKS MADE PAYABLE OUT OF THE COMPANY TO SURFSIDE CLEANERS?
A SURFSIDE CLEANERS, CORRECT.
Q THE SAME REASON YOU CHARGED HIM AS YOU TESTIFIED PREVIOUSLY?
A CORRECT.
Q NUMBER 8 IS SUNCOM AND YOU'VE GOT, "FOR WAYNE'S WIFE. NOT EMPLOYED, 996.52"? WOULD THAT BE WHAT IS KNOWN AS THE ROOFERS?
A YEAH. I THINK NOW IT'S THE ROOFER'S PHONE.
Q WHY DID YOU CHARGE IT TO MR. VEREEN?
A I WAS TOLD THAT, THAT WAS A FRIEND OF MR. VEREEN, OR AN ASSOCIATE OF MR. VEREEN. AT FIRST, LIKE I SAY, WE THOUGHT IT WAS HIS WIFE'S PHONE.
Q THAT ASSOCIATE WAS NOT AN EMPLOYEE OF A&E?
A NO, SIR. NOT THE INDIVIDUAL THAT I WAS TOLD IT WAS HIS PHONE.
Q WE'VE GOT CHECKS TO PROVIDENT LIFE AND ACCIDENT,

NUMBER 9?

A CORRECT.

Q AND THAT WOULD BE CHECKS WRITTEN BY THE COMPANY TO THAT COMPANY FOR MR. VEREEN'S PERSONAL INSURANCE?

A CORRECT.

Q $1,872.30?

A YES, SIR.

Q AND THEN WE HAVE THE NEXT NUMBER IS 10 AND THAT IS A JOB LEDGER FOR PARK PLACE?

A CORRECT.

Q ARE THOSE EXPENDITURES MADE BY THE COMPANY SHOWN ON THE JOB LEDGER FOR PARK PLACE PROPERTIES?

A CORRECT. SAYING THEY WERE CODED TO THAT JOB.

Q AND YOU ARE REFLECTING EXACTLY WHAT THE JOB LEDGER SHOWED?

A YES, SIR.

Q THE NEXT NUMBER, 11, IS THE PARKWAY OFFICES JOB THAT'S A JOB LEDGER EXPENSE FOR PARKWAY OFFICES?

A YES, SIR.

Q AND IT SHOWS THE VARIOUS SUBCATEGORIES AND THE EXPENDITURES MADE FOR THE PARKWAY OFFICES JOB?

A CORRECT.

Q AND YOU CHARGED THAT TO HIM BECAUSE THAT WAS FOR THE OFFICE OWNED BY MR. VEREEN?

A CORRECT.
Q AND THAT DOES NOT REFLECT CHARGES TO THE SHOP, DOES IT?
A NO. IT DOES NOT.
Q PLANTATION LAKES IS NUMBER 12. DOES THAT REFLECT EXPENDITURES MADE BY THE COMPANY ON THE PLANTATION LAKES JOB LEDGER?
A YES, IT DOES.
Q JUST FOR THE CALENDAR YEAR 2005?
A YES. IT LOOKS LIKE THE BACK OF IT IS FOR SIX, BUT THAT'S THE JOB COSTS. SHOULD HAVE BEEN FOR '05.
Q THESE ARE EXPENDITURES MADE BY THE COMPANY FOR THE PLANTATION LAKES JOB WHICH IS OWNED BY MR. VEREEN?
A CORRECT.
Q AND NUMBER 13 IS THE GAYLE PERRY HOUSE, THE JOB LEDGER FOR GAIL PERRY?
A YES.
Q AND MR. PERRY IS MR. VEREEN SISTER? DOES THAT REFLECT THE $191.55 ON THE JOB LEDGER FOR GAYLE PERRY FOR 2006?
A YES. I'M SORRY. WE ARE IN 2006. WHAT I JUST SAID ABOUT PLANTATION, I WAS THINKING WE WERE IN 2005. I APOLOGIZE.

Q IT'S EASY TO -- WELL, THE LAST EXPENSE FOR PLANTATION LAKES ...

A YEAH. WELL, IT HAS 2006. IT MIGHT HAVE HAD THE BALANCE FORWARDED BUT IT WAS 2006 JOB EXPENSES. AND I'M SORRY YOU WERE ON PERRY?

Q YES. 191.55, THAT WAS AN EXPENSE SHOWN ON THE JOB LEDGER OF GAYLE PERRY, HIS SISTER?

A CORRECT.

Q AND THE NEXT NUMBER, SEVEN OAKS. IS $32.59 FROM THE JOB LEDGER OF SEVEN OAKS WHICH IS ONE OF MR. VEREEN'S PERSONAL JOBS?

A CORRECT.

Q NUMBER 15 IS MURRELLS INLET HOME. ARE THOSE EXPENSES SHOWN ON THE JOB LEDGER FOR MR. AND MRS. VEREEN'S PERSONAL HOME?

A YES, SIR. THEY WERE CODED AS THE MURRELLS INLET HOUSE JOB.

Q AND THOSE REFLECT THE JOB EXPENSES PAID BY A&E FOR THAT PARTICULAR JOB ON THE JOB LEDGER?

A YES, SIR.

Q AND THAT'S BOOKED AS CONSTRUCTION IN PROGRESS LIKE THE OTHERS?

A THEY WERE IN THE CONSTRUCTION PROGRESS ACCOUNT FOR THE TAX RETURN.

Q 16 IS THE POINTE MARSH JOB AND POINTE MARSH IS

OWNED BY PARK PLACE PROPERTIES? DOES THAT REFLECT THE JOB LEDGER FOR THE POINTE MARSH JOB?

A YES.

Q THOSE EXPENDITURES ARE 56,000, 80,000, SIXTEEN SOME THOUSAND AND 25,000 REFLECT COSTS AND EXPENSES ON THE JOB LEDGER FOR POINTE MARSH JOB OWNED BY PARK PLACE PROPERTIES?

A YES.

Q AND 17 IS ... NUMBER 17, OTHER RECEIVABLES. WAYNE'S PERSONAL EXPENSES. WHAT ARE THOSE FOR?

A THESE WERE EXPENSES THAT MR. VEREEN HAD HANDWRITTEN A CHECK FOR AND CHARGED -- SAID THEY WERE ANOTHER JOB EXPENSE AND MR. SMITH SAID THIS WAS BEFORE THE JOB HAD STARTED AND HE QUESTIONED IT. SO HE HAD REQUESTED BACKUP FOR THIS.

Q WHAT IS THE $381.60 CHARGE? IT'S LABELED AS GAS?

A HE WROTE ON THE CHECK THAT AMOUNT. THE CHECK WAS ACTUALLY FOR $2,459.94 AND HE HAD HANDWRITTEN GAS WAS 381.60.

Q WHO HAD HANDWRITTEN?

A LOOKS LIKE MR. VEREEN'S HANDWRITING. I'M SURE.

MS. COOK: NO OFFENSE. I DON'T THINK SHE HAS BEEN ADMITTED AS A HANDWRITING EXPERT.

A THAT'S WHAT I SAID I DON'T KNOW. I APOLOGIZE.
Q ALRIGHT. THE CHECK WAS CHECK NUMBER 6116 FROM A&E TO WACHOVIA BANK FOR $2,459.44. THAT'S THE CHECK THAT YOU'RE TALKING ABOUT?
A YES. I APOLOGIZE. I SAID WAYNE, DIDN'T I?
Q YES, YOU DID.
A IT IS WRITTEN TO WACHOVIA.
Q AND YOU CHARGED HOW MUCH OF IT AS AN EXPENSE TO WAYNE, ACCORDING TO YOU?
A WE CHARGED ALL OF IT. QUESTIONED ALL OF IT.
Q YOU BROKE THAT DOWN AS 2000 SOME DOLLARS AS A CONSTRUCTION COST AND THREE HUNDRED AND SOMETHING THOUSAND AS THE GAS AND THAT WAS BECAUSE THE CHECK WAS WRITTEN TO WACHOVIA WITHOUT ANY BACKUP?
A WITHOUT ANY BACKUP AND HE DID PUT -- OR WHOEVER WROTE A HANDWRITTEN NOTE THAT THE $1,743.41 WAS HOME DEPOT AND 334.93 WAS LOWE'S. SO, THOSE WERE ORIGINALLY CODED AS CONSTRUCTION COSTS.
Q WAS THERE ANY BACKUP IN FILES OF A&E TO SUPPORT THIS CHECK MADE PAYABLE TO WACHOVIA?
A NO. I DIDN'T HAVE ANY BACKUP.
Q NUMBER 18 IS -- IT SAYS, "RANDY'S TRUCK" CHARGED TO CONSTRUCTION COSTS, 2,796.64?
A ONE SECOND. OKAY. THE QUESTION WAS THE 27.

Q NUMBER 18 WHERE WE ARE AT "RANDY'S TRUCK CHARGE". WHY WAS THAT A RECEIVABLE FROM WAYNE, $2,796.64?

A IT WAS ORIGINALLY PUT ON BOOKS BY THE ACCOUNTANT AND TAX RETURN AS A NOTE PAYMENT OR A LEASE PAYMENT. I THINK MR. SMITH TOLD ME THAT THIS WAS ANOTHER EMPLOYEE'S TRUCK, RANDY LONG. IS THAT HIS NAME?

Q WAS THIS SOMETHING THAT MR. SMITH SAID WAS A PERSONAL EXPENSE OF MR. VEREEN VERSUS THE COMPANY A&E?

A HE SAID IT WAS NOT A COMPANY EXPENSE, CORRECT.

Q AND THAT'S WHY IT WAS PUT ON THERE BASED UPON MR. SMITH'S CONVERSATION WITH YOU?

A CORRECT.

Q THE NEXT NUMBER IS 19. HORRY COUNTY TAX. WHAT DOCUMENTATION DO YOU HAVE FOR THAT?

A THERE IS TAX NOTICES AND I THINK THEY ARE BEHIND THE CHECK. THE CHECK -- ON THE STUB OF THE CHECK, IT HAS THE TAX NOTICES AND I THINK THEY ARE BEHIND IT.

Q IS THAT FOR REAL PROPERTY TAXES?

A IT LOOKS LIKE THE FIRST ONE MIGHT BE PERSONAL PROPERTY TAXES AT 29TH PLACE.

Q WHAT'S THE SECOND ONE?

A THE SECOND ONE LOOKS LIKE THE SAME THING, FURNITURE, FIXTURES, AND APPLIANCES.
Q AT THE SAME LOCATION?
A IT SAYS LOT 19, 29TH PLACE. SO I'M NOT SURE. THE TAX MAP NUMBERS ARE DIFFERENT, BUT THEY BOTH SAY 29TH PLACE. AND THE NEXT ONE SAYS, "29TH PLACE", BUT I BELIEVE THIS IS A REAL PROPERTY TAX. AND THE NEXT ONE SAYS, "LINDA VEREEN, SOUTHWEST 501".
Q OKAY.
A AND THE NEXT ONE SAYS, "LINDA VEREEN". I THINK IT'S ON THE SAME PROPERTY. ONE OF THOSE THE FIRST NOTICE AND ONE OF THEM IS AFTER THE FEES HAVE BEEN ASSESSED.
Q DOES A&E OWN ANY OF THE REAL PROPERTY?
A NO, THEY DO NOT.
Q NORTH INDUSTRIAL PARK IS A TAX BILL?
A IT'S A TAX BILL FOR NORTH INDUSTRIAL PARK AS WELL.
Q WHO IS THE OWNER OF THAT PROPERTY?
A ARTHUR VEREEN. ARTHUR W. VEREEN.
Q IS THAT THE BALANCE OF THE TAX BILLS THAT ARE ATTACHED TO IT?
A IT LOOKS LIKE IT. WITHOUT A CALCULATOR I CAN'T VERIFY THAT, BUT IT LOOKS LIKE THAT'S ALL OF

THEM THERE. THE TOP OF THE CHECK, WAS IT CODED? DOESN'T COVER THE CHECKS SO I'M TRYING TO SEE -- AND THERE'S ANOTHER TAX NOTICE HERE TO MAKE SURE ALL THESE TAX ...

Q TO SPEED THIS ALONG, MS. BRADY, DOES A&E OWN ANY REAL PROPERTY?

A NO, THEY DO NOT.

Q THESE ARE TAXES FOR REAL PROPERTY OR PERSONAL PROPERTY THAT BELONG TO MR. VEREEN?

A THEY WERE ALL REAL PROPERTIES EXCEPT THE PERSONAL PROPERTY AT 29TH PLACE.

Q AND THAT WAS MR. VEREEN'S ALSO?

A YES.

Q AND THEN YOU HAVE A CHECK FOR $331.83? IS THAT THE CHECK YOU HAD REFERENCED SOMEWHERE? I DON'T HAVE ANY BACKUP FOR MINE.

A WHAT NUMBER ARE YOU ON?

Q IT'S THE SECOND CHECK UNDER 19, 331.83.

A CHECK 5033. ARTHUR VEREEN CONSTRUCTION COMPANY. LOOKS LIKE IT IS A PERSONAL PROPERTY TAX BILL. IT IS STATED BY THE SOUTH CAROLINA DEPARTMENT OF REVENUE ON THE BILL AND IT'S ADDRESSED TO ARTHUR VEREEN CONSTRUCTION COMPANY, INC.

Q YOU CHARGED THAT TO MR. VEREEN'S ACCOUNTS RECEIVABLE?

A YES.
Q THE NEXT TWO THERE IS NO NUMBER THERE, BUT IT'S LULL RENTAL AND SKID RENTAL. WERE THOSE FIGURES THAT MR. SMITH GAVE YOU TO INSERT?
A YES. THE SAME AS THE PRIOR YEAR.
Q AND NUMBER 21 SAYS, "COMMISSION TO BETH SISSON". WAS THERE A CHECK IN THE AMOUNT OF $5,000.00 WRITTEN BY MR. VEREEN TO HIS DAUGHTER?
A YES, THERE WAS.
Q WHY DID YOU PUT THAT AS AN ACCOUNT RECEIVABLE?
A WELL, IT'S CODED AS AN EXPENSE. IT WAS NEVER WRITTEN OFF AS IT SHOULD HAVE BEEN TECHNICALLY ON A W-2 FOR MS. SISSON.
Q DID MR. SMITH TELL YOU WHETHER OR NOT HE HAD AUTHORIZED THIS CHECK TO BE WRITTEN TO MR. VEREEN'S DAUGHTER?
A HE SAID HE DID NOT.
Q NO W-2 WAS GIVEN OR 1099 TO MRS. SISSON AS SHOWN ON THE COMPANY TAX RETURNS?
A IT WAS NOT INCLUDED AS INCOME TO MRS. SISSON.
Q NOW, 22 IS A STOCK BUILDERS CHARGE. I BELIEVE THERE HAS BEEN SOME TESTIMONY ABOUT THAT ALREADY IN THE AMOUNT OF $22,049.48. TELL ME WHY THAT'S LISTED AS AN ACCOUNT RECEIVABLE FOR MR. VEREEN?
A THIS WAS TAKEN OFF. MR. SMITH BROUGHT ME THIS

INVOICE AND IT SHOWED THAT THE PROPERTY OR THE MATERIALS, WHATEVER IT WAS THAT WAS ORDERED WAS ACTUALLY DELIVERED TO POINTE MARSH.

Q THAT WOULD HAVE BEEN -- THERE WAS TESTIMONY FROM MR. VEREEN ABOUT THAT EARLIER, AND YOU ADDED THAT BECAUSE THE INVOICE SHOWED IT WAS BEING DELIVERED TO POINTE MARSH?

A IT WAS A POINTE MARSH. THAT'S CORRECT.

Q TO THE WILLOUGHBY JOB?

A IT WAS CHARGED TO THE WILLOUGHBY JOB.

Q AND YOU LISTED THAT AS BEING AN ACCOUNT RECEIVABLE OF MR. VEREEN BECAUSE IT WAS A POINTE MARSH JOB?

A IT WAS A POINTE MARSH AND ALL THE OTHER CHARGES HAD BEEN CODED.

Q 23 REFERS TO THE HARTFORD FOR $23,000.00. CAN YOU TELL ME WHAT YOU BASE THAT UPON?

A THERE WERE SEVERAL CHECKS HERE AND THIS WAS ACTUALLY PUT IN HERE BECAUSE I DIDN'T KNOW WHAT THEY WERE. I DIDN'T KNOW IF IT WAS A LIABILITY. I DIDN'T KNOW IF IT WAS LIFE INSURANCE AND IT WAS PUT IN HERE BECAUSE IT WAS QUESTIONED AS TO WHAT KIND OF EXPENSE IT WAS. IT WAS JUST KEYED TO -- I BELIEVE IT WAS AN INSURANCE -- YES. IT WAS JUST KEYED TO AN INSURANCE ACCOUNT. SO, I

REALLY DIDN'T KNOW WHAT IT WAS.

Q THERE WAS NO BACKUP IN THE RECORDS?

A I HAD NOTHING, NO. NOT MUCH EXPLANATION.

Q AND THAT WAS A CHECK WRITTEN BY MR. VEREEN TO THAT COMPANY?

A IT WAS ACTUALLY SIX CHECKS WRITTEN THAT TOTALED 23,939.81.

Q FURTHER, THERE IS COMPANION PROPERTY AND CASH CHARGES OF $1,832.00. CAN YOU TELL ME WHAT WAS THE BASIS OF THAT CHARGE?

A I DIDN'T KNOW WHAT THAT WAS EITHER, AND IF MY MEMORY IS CORRECT, SOMEONE SAID THAT MIGHT HAVE BEEN AN AUTO -- IT MIGHT HAVE BEEN THE INSURANCE ON MR. VEREEN'S AUTO THAT WAS NOT IN THE COMPANY, BUT I'M NOT SURE ABOUT THAT.

Q THAT'S NO DOCUMENTATION ...

A THERE'S NO DOCUMENTATION ON THESE OTHER ONES AND THAT'S KIND OF WHY THEY ARE QUESTIONED.

Q THERE'S NO DOCUMENTATION ON THE 1,832 CHARGE TO COMPANION?

A CORRECT.

Q THE NEXT ONE IS GEORGETOWN COUNTY TREASURER IN THE AMOUNT OF $535.10. ARE YOU AWARE OF ANY PROPERTY OWNED BY A&E IN GEORGETOWN COUNTY?

A NO. THAT'S ACTUALLY TWO CHECKS THAT WERE PULLED

BECAUSE I DIDN'T KNOW WHY THEY WOULD BE PAYING GEORGETOWN COUNTY.

Q NOW, THE NEXT NUMBER IS A CHECK FOR THE GAMECOCKS CLUB FOR $600.00. WHY DID YOU LIST THAT AS ACCOUNTS RECEIVABLE?

A BECAUSE I DIDN'T FEEL LIKE THAT WAS A COMPANY EXPENSE. THAT'S USUALLY AN INDIVIDUAL.

Q IS A CHECK WRITTEN BY THE COMPANY TO GAMECOCK CLUB?

A YES, IT IS.

Q DID YOU ASK MR. SMITH WHETHER HE APPROVED THE WRITING OF THAT CHECK TO THE GAMECOCK CLUB?

A HE SAID HE DID NOT.

Q THE OTHER TWO, THE LAST TWO, "WAYNE TRUCK EXPENSES, PALMETTO CHEVROLET, $8,085.98". WHAT IS THAT?

A I APOLOGIZE. I THINK YOUR QUESTION WAS ABOUT THE PALMETTO CHEVROLET?

Q YES.

A THERE IS FOUR CHECKS WRITTEN AND THEY ARE PRETTY LARGE CHECKS WRITTEN TO PALMETTO CHEVROLET. I THINK THERE ARE FOUR CHECKS TOTALING $8,085.00 AND I WASN'T SURE. THERE AGAIN, I DON'T BELIEVE MR. VEREEN'S TRUCK IS ON THE BOOKS OF THE COMPANY, BUT I WASN'T SURE WHAT THIS PALMETTO

CHEVROLET WAS AND THAT'S WHY IT'S PULLED OUT.

Q THERE WAS NO VEHICLE THAT WAS OWNED BY THE COMPANY OR THERE WAS NO BACKUP FOR THIS ON THE BOOKS AND RECORDS OF THE COMPANY?

A I HAD NO BACKUP TO SUBSTANTIATE IT WHEN I PUT IT ON THERE.

Q AND YOU'VE GOT, "WAYNE'S ADDITIONAL EXPENSE, NO BACKUP, $208,577.66", BOOKED AS CONSTRUCTION IN PROGRESS. TELL ME HOW YOU CAME UP WITH THAT FIGURE?

A FROM SMITH SAPPS RECORDS. WHEN HE DID THE TAX RETURN, I THINK, IT WAS IN 2006, HE CAME UP WITH WHATEVER THAT NUMBER WAS A COUPLE HUNDRED -- LET'S SEE. I THINK IT'S LIKE 270. I THINK THOSE TWO NUMBERS TOTALED $277,614.03 ON THE TAX RETURNS FOR 2006 ...

Q THIS IS THE TAX RETURN PREPARED BY SMITH SAPP?

A PREPARED BY SMITH SAPP. IT HAD ADDITIONAL EXPENSES THAT CONSTRUCTION COSTS THEY SAID THAT MR. VEREEN WAS TO BE REIMBURSED FROM, I BELIEVE, 2003, '4, '5 AND '6 ON JOBS. AND WHEN I ASKED HIM FOR THE BACKUP, HE SAID HE DID NOT HAVE ANY. HE HAD A LIST FROM MRS. SISSON OF THE EXPENSES THAT SHE HAD GIVEN HIM, BUT THEY HAD NO BACKUP TO SUPPORT THE EXPENSES.

Q WHEN YOU SAID, "THERE'S NO BACKUP", WHAT DO YOU MEAN WHEN THERE'S NO BACKUP FOR EXPENSES?

A IT WAS JUST A LIST OF EXPENSES. THERE WERE NO INVOICES AND I JUST FELT THAT, THAT WAS A LARGE NUMBER. TO SAY I'M OWNED 277,000 FOR THE LAST THREE YEARS ON THESE CONSTRUCTIONS. I THINK I DID LIST -- NO, IT'S NOT BACK HERE. I THINK THEY JUST PUT BY JOBS MAYBE AND THAT'S WHAT'S BEHIND THE BINDER. I THINK EACH JOB YOU WILL SEE. DO YOU HAVE SOMETHING BEHIND 24?

Q NO. I DON'T WITH MY COPY.

A DO YOU NOT EITHER?

Q I HAVE THIS RIGHT HERE.

A YES.

Q OKAY.

A ON EACH ONE OF THESE JOBS, YOU SEE WHERE IT SAYS, "PLANTATION LAKES". ON PAGE ONE OF SIX IT SAYS, ADD AWV PLANTATION LAKES."

Q RIGHT.

A THIS IS WHERE THEY ADDED ALL THESE EXPENSES AND ALTHOUGH THOSE ADS FOR 2006 WILL TOTAL THE 277,000.

Q THIS IS AN EXPENSE THAT MR. VEREEN OR HIS COMPANIES HAVE SAID THEY PAID ON BEHALF OF A&E, AND FROM WHICH ON THE 2006 TAX RETURN THEY WERE

GIVEN CREDIT?

A YES. THEY CHARGED IT AGAINST THE JOB COSTS.

Q RIGHT. THERE WAS NO BACKUP THAT SMITH SAPP HAD FOR ANY OF THOSE EXPENSES?

A THEY TOLD ME THEY HAD NO BACKUP OTHER THAN A LIST THAT BETH HAD GIVEN THEM.

Q A LIST OF JUST EXPENSES WITH NO ...

A I THINK HE SAID IT WAS JUST A LIST OF EXPENSES, BUT THERE WAS NO BACKUP TO BACKUP ANY OF THE INDIVIDUAL EXPENSES.

Q AND YOU SPECIFICALLY WENT OVER THERE AND ASKED THEM FOR THAT BACKUP?

A YES. I THINK I TALKED TO TWO OF THE ACCOUNTANTS OVER THERE BECAUSE I WAS FIRST TOLD THERE WAS AND THEN WHEN WE WENT TO GET IT, THE OTHER ACCOUNTANT SAID, "NO. IT WAS JUST A LIST FROM BETH." BUT THERE WAS ACTUALLY WAS NO BACKUP FOR EACH CHARGE.

Q A BACKUP WOULD BE LIKE A BILL?

A LIKE AN INVOICE OR LIKE A ...

Q LIKE A CHECK WHERE SOMEBODY HAD PAID?

A CORRECT. OR JUST AN INVOICE BASICALLY BUT IT WAS A CHARGE FOR THAT JOB.

Q SO YOU ADDED THAT AND CHARGED THAT BACK TO THEM IN 2006. IS AN ADJUSTMENT TO BE MADE FOR 2006?

A YES. I CHARGED IT BACK.
Q WHAT IS THE SUM TOTAL OF THE AMOUNTS DUE BY THE VEREEN ENTITY FOR 2006?
A $667,578.68.
Q AND A COUPLE OF THESE EXPENSES ARE BASED UPON WHAT MR. SMITH TOLD YOU CONCERNING THE LULL AND THE SKID?
A CORRECT.
Q THE BALANCE OF THESE REFLECT JOB LEDGERS OR ACTUAL CHECKS WRITTEN BY THE COMPANY FOR WHAT YOU WOULD CALL NON-APPROVED EXPENSES OR ...
A CORRECT. I'M PRETTY SURE THOSE TWO RENTALS ARE THE ONLY TWO THAT ARE NOT ACTUALLY CHECKS THAT WERE WRITTEN. AND THE OTHER ONES WERE CHECKS THAT WERE WRITTEN OUT OF THE COMPANY THAT I HAD QUESTIONS AS TO WHETHER THEY WERE ...
Q DID YOU GIVE CREDIT TO ANY AND ALL DEPOSITS MADE BY THE VEREEN ENTITIES AGAINST THIS AMOUNT?
A YES.
Q WHERE DO YOU REFLECT THOSE CHARGES?
A THERE IS A CREDIT. I THINK IT'S IN THE BOTTOM OF THAT SECOND SHEET. THERE'S A CREDIT TO THE RECEIVABLE ACCOUNTS FOR MR. VEREEN FOR $50,000.00. THAT WAS A DEPOSIT THAT WAS CODED AS COMING FROM POINTE MARSH. THERE WERE TWO

OTHER DEPOSITS THAT WERE CODED AT POINTE MARSH. ONE WAS 40,000 AND THE OTHER ONE WAS 45,000. THEY WERE ALSO CREDITED AGAINST THIS ACCOUNT.

Q SO THE '06 ACCOUNTS RECEIVABLE FROM WAYNE REFLECTS CREDIT FROM ALL THE VEREEN ENTITIES DURING THAT CALENDAR YEAR?

A CORRECT.

Q I NOTICED YOU HAVE IN HERE AN ACCOUNT RECEIVABLE FOR MR. SMITH OF $15,000.00?

A THAT'S WHERE I ADDED ON THE BOOKS.

Q AND THAT WOULD THEN BE BECAUSE OF AN EXPENSE, A CHECK MADE PAYABLE TO MR. SMITH?

A CORRECT. I DON'T KNOW IF I'VE -- AS FAR AS HOW THIS WAS DONE, LIKE THESE REPORTS IN THE FRONT OF THE BOOK. DO I NEED TO EXPLAIN THAT?

Q SURE.

A I WANT THIS ALL TO MAKE SENSE.

JUDGE HOWE: I NEEDED IT TO.

A EACH YEAR EACH BOOK WHEN I DID THESE, I WENT TO THE TAX RETURN THAT WAS PREPARED BY THE ACCOUNTANT SMITH SAPP AND I STARTED WITH THEIR TRIAL BALANCE. I DIDN'T TRY TO REDO THE WHOLE TAX RETURN BECAUSE THERE IS THOUSANDS OF CHECKS EVERY YEAR. SO I STARTED WITH THEIR BALANCE AND WHAT I DID, ANYTHING THAT I QUESTIONED, WHETHER

IT WAS AN EXPENSE OR A BACKUP OF PROOF, IT WAS PULLED OUT ON THIS SPREADSHEET TO QUESTION. AND I TRACED THE EXPENSE BACK TO SEE WHERE THAT ACCOUNTANT HAD EXPENSED IT. SO, THAT'S WHY IF IT'S THE SECOND PAGE, THIS JOURNAL ENTRY, IT'S -- IF I FELT LIKE IT SHOULD BE TAKEN OUT, IT'S TAKEN OUT AGAINST THE EXPENSE THAT DID IT. I MEAN, THAT IT WAS CHARGED TO. SO, I DID A FINANCIAL STATEMENT, THE TRIAL BALANCE, THE UN-ADJUSTED AMOUNT STARTS WITH THE PRIOR ACCOUNTANT. I DID EVERY JOURNAL ENTRY AND AS YOU GO THROUGH THE YEARS WHAT I DID WHEN I HIT 2005, I STILL STARTED WITH THE ACCOUNTANT'S 2005 TRIAL BALANCE AND I RE-ENTERED 2004, AND THEN I WOULD ENTER '5 AND '6. I STARTED WITH HIS BALANCE AGAINST IT SO EVERYTHING WOULD MATCH AND THEN I DID THE 2004 ADJUSTMENTS, THE 2005, 2006 AND THEN I WENT TO '7 AND IT'S DONE LIKE THAT SO YOU CAN SEE WHAT HIS ACCOUNTANT STARTED. I'M NOT QUESTIONING WHAT HIS ACCOUNTANT DID ON ALL THE EXPENSES AS FAR AS THE TAXABLE INCOME/EXPENSES. I'M QUESTIONING THE ONES WE PULLED OUT. SO, THAT'S WHY IT MIGHT LOOK CONFUSING, BUT WE DIDN'T KNOW ANY OTHER WAY TO DO IT THAT IT WOULD MAKE SENSE AND THAT YOU

COULDN'T GO BACK AND TIE INTO THE NUMBERS, BUT THIS RECEIVABLE ACCOUNT THAT WE'RE SAYING WHEN YOU GET TO THE END OF THE BOOKS OR THE LAST YEAR, THE RECEIVABLE ACCOUNT WILL BE WHAT WE THOUGHT WAYNE OWNED PLUS WHAT HIS ACCOUNTANT SAID THAT HE OWNED THE COMPANY. SO THERE WON'T BE ANY DUPLICATE AND THAT'S WHY WE SAY WHEN WE SAW THAT HIS ACCOUNTANT HAD ALREADY CHARGED IT AS A RECEIVABLE TO HIM. WE DIDN'T ADD IT IN AGAIN.

Q MS. BRADY, ARE YOU STATING THAT ON THE BOOKS AND RECORDS OF THE TAX RETURNS FOR THESE YEARS PREPARED BY SMITH SAPP THAT THEY WERE ALREADY SOME EXPENSES CHARGED TO MR. VEREEN AS BEING PERSONAL EXPENSES?

A OH, YES.

Q THAT WOULD BE CHECKS FOR LARGE AMOUNTS OF MONEY THAT HE HAD ALREADY CLASSIFIED AS A PERSONAL EXPENSE? THAT BEING SMITH SAPP?

A YES.

Q YOU DIDN'T CHARGE THAT AGAIN TO HIM, DID YOU?

A NO. I DID NOT CHARGE ANYTHING AGAIN THAT THEY HAD CHARGED UNLESS IT WAS AN EXPENSE THAT THEY GAVE HIM CREDIT FOR, WHICH WHEN WE GET INTO THIS -- I THINK IT WAS 277,000. IT'S A COUPLE

HUNDRED IN NEXT. THEY HAD GIVEN HIM CREDIT FOR THAT. I DID BACK THAT ONE BACK OUT, BUT WE DIDN'T DUPLICATE ...

Q WHAT I AM STATING, WHEN YOU DID THESE REPORTS IN PLAINTIFF'S EXHIBIT NUMBER "1 THROUGH 4", THERE WERE MANY EXPENSES ON THE TAX RETURNS OF A&E THAT HIS ACCOUNTANT ALREADY SPECIFIED WERE PERSONAL EXPENSES OF MR. VEREEN OR HIS ENTITIES THAT WERE DUE BACK INTO ACCOUNTS RECEIVABLE?

A CORRECT. I THINK THE ONES THAT WERE TESTIFIED TO EARLIER WERE FIRST PALMETTO. ALL THOSE THAT WE ALREADY PULLED OUT FROM HIS ACCOUNTANT AS A PERSONAL EXPENSE, SO I DIDN'T RE-CLASS ANY OF THOSE.

Q THESE CHECKS OR THESE EXPENSES, THOSE WERE EXPENSES THAT NEVER SHOULD HAVE BEEN WRITTEN OUT OF THESE ACCOUNTS ... IN YOUR OPINION, SHOULD ANY OF THESE EXPENSES THAT WERE CHARGED AS PERSONAL EXPENSES FOR MR. VEREEN, SHOULD THEY HAVE BEEN WRITTEN OUT OF THE A&E AS BUSINESS EXPENSES?

A CAN I ANSWER THIS?

Q SURE.

MS. COOK: OBJECTION. YOUR HONOR.

JUDGE HOWE: IN YOUR OPINION.

A NO. NOT WITHOUT THE OTHER SHAREHOLDERS. NOT CONSIDERING THAT MR. VEREEN WAS A 50% SHAREHOLDER AND WITHOUT HIS SHAREHOLDER KNOWING IT AND GETTING THE SAME AMOUNT OF MONEY.

Q DID YOU EVER TALK TO MR. SMITH ABOUT WHETHER OR NOT HE KNEW THESE EXPENSES WERE BEING WRITTEN OUT OF THE COMPANY? THE ONES THAT SMITH SAPP ALREADY ATTRIBUTED TO MR. VEREEN'S PERSONAL EXPENSES?

A YES. WE TALKED ABOUT IT.

Q AND DID HE KNOW ABOUT THIS HAPPENING?

A NO, SIR. HE SAID HE DID NOT.

Q TO MAKE IT CLEAR WITH THE COURT, WHAT YOU'VE GOT LISTED HERE DOES NOT INCLUDE WHAT HAS ALREADY BEEN CHARGED TO MR. VEREEN AS A PERSONAL EXPENSE?

A WHAT I HAVE LISTED ON THESE SPREADSHEETS, NO. WHAT THE TOTAL NUMBER THAT WILL COME OUT IN THE LAST BOOK THAT HE OWNS THE COMPANY WILL INCLUDE THOSE.

Q SO THE EXPENSES THAT WERE ATTRIBUTED TO MR. VEREEN AS PERSONAL EXPENSES ON THE TAX RETURNS THAT WERE FILED AND SIGNED BY MR. VEREEN, ON BEHALF OF THE COMPANY, WOULD ALREADY REFLECT SOME PERSONAL EXPENSES THAT WERE CHARGED TO HIM

THAT HE WAS AWARE OF?

A CORRECT.

Q AND THEY WERE NOT INCLUDED ON THIS LIST 2004, 2005, 2006, 2007?

A CORRECT.

Q LET'S GO TO 2007. MRS. BRADY, I AM GOING INTO PLAINTIFF'S EXHIBIT, I THINK IS, "4", THE 2007 -- I'M LOOKING AT THE LIST OF 1 THROUGH 16 ON THE FIRST PAGE. ARE YOU READY?

A YES, SIR.

Q NUMBER ONE AND TWO ARE AS WE DISCUSSED BEFORE, CHECKS PAYABLE TO PRUDENTIAL AND JOHN HANCOCK FOR HIS PERSONAL LIFE INSURANCE?

A CORRECT.

Q YOU CHARGED THOSE TO MR. VEREEN IN THOSE AMOUNTS?

A CORRECT.

Q THOSE ARE BASED DRAFTS OUT OF THE ACCOUNT THAT YOU VERIFIED?

A YES.

Q NUMBER THREE IS THE WAREHOUSE RENTAL, $4,675.00 JUST LIKE IT WAS IN THE EARLIER THREE YEARS?

A YES.

Q AND THEN THE SHELL ACCOUNT WOULD BE CHARGES ON THE SHELL CARD FOR $1,09.22?

A YES, SIR.
Q WERE THESE BASED UPON CHECKS WRITTEN BY A&E TO SHELL OIL FOR THESE AMOUNTS?
A CORRECT.
Q WAS ANY DOCUMENTATION IN THE RECORD OF THESE EXPENSES AS BEING EXPENSES OF A&E?
A I DON'T HAVE ANY DOCUMENTATION FOR THESE EXPENSES FOR THIS YEAR AT ALL.
Q NUMBER FIVE IS 29TH PLACE HOA. IS THAT LIKE THE OTHER YEARS THAT WAS THE HOMEOWNERS ASSOCIATION DUES PAID OUT OF THE A&E TO 29TH PLACE HOMEOWNERS ASSOCIATION?
A CORRECT.
Q THOSE WERE BASED UPON CHECKS WRITTEN OUT OF THE COMPANY?
A YES, SIR.
Q AND THAT PROPERTY IS LIKEWISE NOT OWNED BY A&E?
A CORRECT.
Q AND THAT'S BOOKED AS DUES AND SUBSCRIPTIONS?
A YES, IT WAS.
Q THAT'S AN ENTRY THAT WAS ON THE COMPUTER?
A WAS THE QUESTION, WAS IT KEYED THAT WAY ON THE COMPUTER?
Q YES.
A YES. THAT'S THE WAY THE COMPANY HAD EXPENSED

IT.

Q LET ME ASK YOU SOMETHING THE 29TH PLACE HOA. FOR ALL THESE YEARS, THE TAX RETURNS DIDN'T REFLECT THESE AS BUSINESS EXPENSES?

A YES, IT DID.

Q SURFSIDE CLEANERS FOR $2,288.90 THAT WOULD BE CHECKS PAYABLE TO SURFSIDE CLEANERS OUT OF THE A&E ACCOUNTS?

A YES. THOSE WERE THE CHECKS THAT WERE EXPENSED AS UNIFORMS.

Q DID THE TAX RETURNS FOR A&E 2004, '5 AND '6 REFLECT THESE AS BUSINESS EXPENSES?

A YES, IT DID.

Q SUNCOM, FOR WAYNE'S FRIEND, IS THAT, THAT SAME CELL PHONE NUMBER?

A YES, IT IS. AND IT'S HIGHLIGHTED BECAUSE I DON'T THINK WE HAD THE BILLS. WE HAVE THE TOTAL BILL AND WE HAVE THE CHECKS THAT WERE WRITTEN TO SUNCOM, BUT WE DIDN'T HAVE THE ITEMIZED BILLS LIKE WE DID IN SOME OF THE EARLIER YEARS. SO, THAT'S -- I THINK IT'S A LOW ESTIMATED FIGURE.

Q THAT'S BASED UPON WHAT WAS PAID IN PREVIOUS YEARS?

A IN THE PREVIOUS YEARS BECAUSE THERE WAS STILL TWO NUMBERS ON IT.

Q WERE THE AMOUNTS SIMILAR EACH MONTH IN THE PREVIOUS YEARS WHEN YOU ESTIMATED THE FIGURE?
A I BELIEVE SO.
Q YOU HAVE AFLAC AS NUMBER EIGHT. THAT WOULD BE THE AFLAC PREMIUMS PAID ON THE BEHALF OF LINDA VEREEN IN THE AMOUNT OF $781.20?
A CORRECT.
Q ACTUALLY DID THE EARLIER TAX RETURNS FILED FOR A&E SHOW LINDA VEREEN AFLAC EXPENSES AS BEING BUSINESS EXPENSES?
A DID YOU SAY THIS YEAR OR FOR THE PREVIOUS YEARS?
Q NO. FOR THESE YEARS.
A THIS WAS CODED AS AN INSURANCE EXPENSE.
Q AND WAS WRITTEN AS A BUSINESS ...
A YEAH. ON THE TAX RETURN IT WAS DEDUCTED AS A BUSINESS EXPENSES.
Q IT WAS DEDUCTED AS A BUSINESS EXPENSE?
A CORRECT.
Q AND THEN NUMBER NINE IS SAM'S CLUB? ARE THESE BILLS PAYABLE TO SAM'S CLUB FROM A&E?
A CORRECT.
Q TELL ME HOW YOU CAME UP WITH THESE AMOUNTS?
A THIS WAS OFF THE CHECK REGISTER OF THE ACCOUNTING SOFTWARE THAT I VERIFIED THE CHECKS.
Q NOW, THE SAM'S CLUB CARD WAS NOT A A&E CREDIT

CARD, WAS IT?

A I ACTUALLY NEVER SAW THE CREDIT CARD, BUT --

Q WAS THERE ANY BACKUP IN THE BOOKS AND RECORDS OF A&E CONCERNING THESE CHECKS THAT WERE WRITTEN TO SAM'S CLUB?

A NO. I'M TRYING TO THINK IN SOME OF THE PREVIOUS YEARS THE ACCOUNTANT HAD TAKEN SOME OF THEM OUT ALREADY AS PERSONAL EXPENSES IN PREVIOUS YEARS. AND THEY STARTED CODING THEM AS AN EXPENSE AND I THINK THAT WAS WHY I QUESTIONED THEM.

Q THEY TOOK THEM OUT IN PREVIOUS YEARS AS A ...

A SOME OF THE PREVIOUS YEARS THE SAM'S CLUB CHARGES HAD BEEN CHARGED AGAINST MR. VEREEN AS A PERSONAL EXPENSE BY THE ACCOUNTANT ON THE TAX RETURNS.

Q AND THESE ...

A AND MR. SMITH WAS ...

Q THESE WERE TREATED DIFFERENTLY ON THE BOOKS AND RECORDS?

A AND THEN THEY STARTED EXPENSING THEM. SO I WASN'T SURE AND I MENTIONED TO MR. SMITH AND HE SAID IT SHOULDN'T HAVE BEEN A COMPANY EXPENSE AND THAT'S WHY THEY ARE PULLED OUT.

Q ON NUMBER TEN, PARK PLACE, THERE'S THREE CATEGORIES. ARE THESE EXPENSES THAT ARE TAKEN

OFF OF THE GENERAL LEDGER OR THE JOB LEDGER OF A&E?

A YES, SIR.

Q AND THEY REFLECT THE ACTUAL EXPENDITURES OF THE COMPANY ATTRIBUTED TO THE PARK PLACE PROPERTIES JOB?

A YES. THE CHECKS THAT WERE CODED TO THAT JOB.

Q AND GOING TO NUMBER ELEVEN, THE SAME THING, PARKWAY OFFICES WOULD BE EXPENSES TAKEN OFF THE JOB LEDGER OF THE PARKWAY OFFICE ACCOUNT?

A CORRECT.

Q THESE ARE TAKEN VERBATIM OFF THE JOB LEDGER OF THE COMPANY?

A CORRECT.

Q GOING TO NUMBER TWELVE, PLANTATION LAKES, AND THESE ARE TWO EXPENDITURES TAKEN OFF THE JOB LEDGER FOR PLANTATION LAKES?

A CORRECT.

Q NUMBER THIRTEEN WOULD BE EXPENSES THAT WERE TAKEN OFF THE JOB LEDGER FOR THE GAYLE PERRY HOUSE?

A YES.

Q AND THESE WERE CHARGED TO MR. VEREEN BECAUSE THAT'S HIS SISTER?

A CORRECT.

Q AND THEN NUMBER FOURTEEN WOULD BE THE EXPENSES TAKEN OFF THE JOB LEDGER FOR THE MURRELLS INLET HOME WHICH IS MR. AND MRS. VEREEN'S PERSONAL HOME?
A CORRECT.
Q AND THESE REFLECT DOLLAR FOR DOLLAR WHAT THOSE JOB LEDGERS SHOW?
A CORRECT.
Q NUMBER FIFTEEN, THIS POINTS TO THESE EXPENSES TAKEN OFF THE POINTE MARSH PAYROLL LEDGER FOR 2007?
A YES, SIR.
Q THESE WERE EXPENSES PAID BY A&E AND ATTRIBUTED TO THE POINTE MARSH JOB?
A CORRECT.
Q NUMBER SIXTEEN IT SAYS, "BETH SISSON'S HOUSE". ARE THESE EXPENSES TAKEN OFF THE JOB LEDGER OF THE BETH SISSON HOUSE?
A YES. THERE WAS A JOB SET UP, BETH SISSON.
Q BETH IS MR. VEREEN'S DAUGHTER?
A YES. AND SHE IS AN EMPLOYEE OF THE COMPANY ALSO. YES, SHE IS.
MS. COOK: WE'LL STIPULATING TO THAT, YOUR HONOR.
Q MRS. BRADY, GOING BACK TO SEVENTEEN, WHICH IS

THE MICHAEL ABSON JOB, IS THAT ON THE JOB LEDGER OF A&E?

A YES.

Q MR. ABSON IS A FAMILY MEMBER OF MR. VEREEN OR HIS WIFE?

A I BELIEVE I WAS TOLD IT WAS HIS NEPHEW.

Q AND THESE REFLECT THE EXPENSES PAID OUT BY A&E ON THE JOB LEDGER FOR THE MICHAEL ABSON JOB?

A CORRECT.

Q NUMBER EIGHTEEN ARE CHECKS PAYABLE TO PLANTATION LAKES HOA?

A YES.

Q AND THAT IS CHECKS WRITTEN OUT OF THE A&E ACCOUNT PAYABLE TO PLANTATION LAKES AT CAROLINA FOREST?

A YES.

Q THE TOTAL AMOUNT OF THOSE CHECKS WAS $748.00?

A YES.

Q WAS THAT A HOME OWNED BY MR. VEREEN OR DO YOU KNOW?

A I WASN'T REALLY SURE WHAT THAT WAS. THAT'S WHY THAT'S PULLED OUT. I WASN'T SURE IF THAT WAS THE SAME HOUSE OR ANOTHER LOT. I DIDN'T KNOW.

Q BUT A&E DIDN'T OWN A HOME AT PLANTATION LAKES TO YOUR KNOWLEDGE?

A NO. THERE WERE NO BOOKS, NO RECORDS OF A&E OWNING ANY LOT OR HOME AT PLANTATION LAKES.

Q NINETEEN IS RANDY LONG CHARGED TO CONSTRUCTION COSTS $3,595.68. TELL ME HOW YOU CAME UP WITH THAT?

A THAT WAS THE SAME AS THE PREVIOUS YEAR THE ACCOUNTANT HAD TAKEN -- HAD DEDUCTED THE PAYMENTS THAT WERE MADE TO GMAC ON A RANDY LONG'S TRUCK, WHICH WAS AN EMPLOYEE OF A&E. THE TRUCK WAS NOT ON THE BOOKS AS AN A&E TRUCK. IT WAS HIS PERSONAL TRUCK.

Q YOU CHARGED THAT BACK TO MR. VEREEN?

A I PULLED IT BACK OUT, CORRECT.

Q WAS THERE SOME TIME WHEN THERE WAS A -- WHERE THE COMPANY AGREED TO PAY MR. LONG'S TRUCK EXPENSES AS A PART OF HIS EMPLOYMENT?

A I DON'T KNOW.

Q NUMBER TWENTY IS THE LULL AND SKID RENTAL. THOSE CHARGES WERE BASED UPON INFORMATION PROVIDED TO YOU BY MR. SMITH?

A CORRECT.

Q THERE WERE NO CHECKS TO SUPPORT THOSE?

A CORRECT.

Q TWENTY-ONE AND TWENTY-TWO ARE CHECKS MADE PAYABLE TO THE HARTFORD AND COMPANION PROPERTY

THAT YOU CHARGED TO MR. VEREEN?

A YES. THERE AGAIN, THOSE WERE TWO THAT I QUESTIONED BUT I DIDN'T OR COULDN'T FIND ENOUGH DOCUMENTATION TO TELL ME WHAT THEY WERE.

Q DID YOU HAVE ANYTHING WRITTEN ON THOSE CHECKS AS TO WHAT THE REASON WAS FOR THOSE CHECKS BEING WRITTEN?

A ARE WE TALKING ABOUT THE HARTFORD AGAIN?

Q HARTFORD AND COMPANION PROPERTY. THE HARTFORD CHECK IS $11,585.00, IS THAT NOT CORRECT? OR A SERIES OF CHECKS.

A IT WAS A SERIES OF CHECKS.

Q WAS THERE ANYTHING IN THE RECORDS OF A&E THAT YOU SAW THAT WOULD SUPPORT THE PAYMENTS OF THESE FUNDS?

A NO, SIR. THERE WERE LIKE THREE OR FOUR OF THEM. THEY WERE LARGE CHECKS. I WOULD SAY $2,000.00, $3,000.00 OR $4,000.00 AND THE OTHER ONES WERE LIKE $119.12. I COULDN'T FIGURE OUT WHAT THEY WERE.

Q HAVE YOU BEEN PROVIDED, SINCE THE INSTITUTION OF THIS LAWSUIT, WITH ANY INFORMATION CONCERNING WHAT THOSE CHECKS WERE FOR?

A NOT TO MY KNOWLEDGE.

Q NUMBER TWENTY-FOUR IT SAYS, "WAYNE AVC

ADDITIONAL EXPENSE NO BACKUP". COULD YOU EXPLAIN TO THE COURT WHAT THIS $63,141.69 IS?

A I THINK THIS IS THE SAME AS -- THESE WERE THE SAME AS WHEN WE WERE TALKING ABOUT EARLIER, THE ADDITIONAL EXPENSES THAT WERE GIVEN TO THE ACCOUNTANT. THEY WERE ADDED TO THE JOB COST IN 2007.

Q THIS GOES TO THE 2007 TAX RETURN?

A CORRECT.

Q YOU GOT THIS INFORMATION OFF THAT TAX RETURN?

A CORRECT. IT WAS ORIGINALLY ON THAT REPORT AND I THINK I HAVE THE BACKUP THE RECEIVABLE WHERE THEY WERE GIVING WAYNE CREDIT OF, I THINK, 57,000 OF IT. THEY HAD CHARGED TO A MACKEY JOB. 4,000 WAS TO MAUDLIN. THE OFFICE WAS $413.65, AND THERE WERE TWO MISCELLANEOUS CHARGES OF $244.00 AND ONE WAS 54.00 AND THEN WILLOUGHBY THEY HAD CHARGED 499.79.

Q THESE WERE OFF A LIST THAT WAS OBTAINED FROM SMITH SAPP WHERE THEY HAD GIVEN CREDIT FOR THESE PAYMENTS?

A CORRECT.

Q WAS THERE ANY BACKUP FOR THOSE PAYMENTS?

A NO. THIS WAS PART OF THE ONES THEY HAD NO BACKUP OTHER THAN A LIST FROM BETH THAT MR.

VEREEN WAS OWNED THIS MONEY.

Q BUT NO BILLS OR NO COPIES ...

A BILLS OR NO COPIES WHERE IT WAS PAID.

Q DID YOU ASK SMITH SAPP WHETHER THEY HAD ANY BACKUP IN THEIR RECORDS OTHER THAN WHAT YOU'VE TOLD ME?

A YES. I DID ASK.

Q AND DID THEY HAVE IT OR THEY DID NOT?

A THEY DID NOT.

Q THESE WERE ALL EXPENSED AS CONSTRUCTION COSTS AND TAKEN OFF THE TAX RETURN AND THE ACCOUNTS DUE WAYNE OR MONEY DUE WAYNE THESE 63,141.69?

A NO. THE 62,000 WAS CODED IN CONSTRUCTION COSTS. SEE THE 413 WAS CODED TO OFFICE. THE 244.86 WAS TOOL REPAIR AND THE 54.61 WAS AUTO.

Q I UNDERSTAND. YOU'VE BROKEN IT DOWN ON THE RIGHT SIDE?

A ON THE RIGHT SIDE IS TO WHAT EXPENSE IT WAS CHARGED.

Q AND YOU TOOK IT OFF BECAUSE OF NO BACKUP?

A CORRECT. LARGE AMOUNTS FOR NO BACKUP.

Q NUMBER TWENTY-FIVE IS A -- IT SAYS, "CHECK TO PARK PLACE ACCOUNTS RECEIVABLE, 1,050". WHAT IS THAT?

A I DIDN'T REALLY KNOW WHAT IT WAS BECAUSE IT

WASN'T CHARGED TO A JOB. IT SAID REIMBURSEMENT FOR MONEY PAID, BUT THEY DIDN'T ACTUALLY CHARGE IT TO A JOB. SO I WASN'T SURE IF THAT WAS A MIS-CODING OR WHAT THE CHECK WAS FOR.

Q THEY SHOW FOUR CHECKS THERE MADE PAYABLE TO PARK PLACE PROPERTY FOR WHICH YOU DID NOT CHARGE HIM. THE 97,000, 20,000, 11,000 AND 1,037?

A NO. ALL THOSE WERE THE 97,500. THERE WAS AN INVOICE THAT SAID, "REIMBURSEMENT FOR AN INVOICE PAID BY MR. VEREEN". IT WAS CHARGED TO A JOB. SO I DIDN'T TAKE THAT OFF. I THINK THEY HAVE SINCE PROVIDED THAT INVOICE, BUT I NEVER CHARGED HIM FOR IT. THE 20,000 WAS THE SAME THING. IT SAID IT WAS FOR AN INVOICE OF A STEEL BUILDING.

Q DID YOU FIND OUT ANYTHING ABOUT THAT SINCE YOU RECEIVED THE CLAIM OF HIS DAUGHTER ABOUT THAT $20,000.00 INVOICE?

A YES. WHEN THEY BROUGHT IN THE BACKUP OF THE EXPENSES THAT MR. VEREEN HAD PAID, THEY BROUGHT US IN AN INVOICE FOR THE STEEL AND I KNEW THAT I HAD SEEN THAT BECAUSE I KNEW THAT WE HAD PAID HIM BACK, BUT WHEN THEY BROUGHT THE INVOICE IN AND THE BACKUP BEHIND THIS CHECK, THE INVOICE WAS FOR $9,500.00. THE REIMBURSEMENT THAT A&E PAID PARK PLACE PROPERTIES IS FOR 20,000.

Q YOU DID MAKE AN ADJUSTMENT FOR IT IN THE 2006 BOOKS?

A NO. I THINK WE GOT THAT LAST WEEK.

Q THAT'S SOMETHING THAT YOU ARE GOING TO ADD BACK IN LATER?

A YEAH. I THINK IN SOME REPORTS I DID THE NIGHT BEFORE, IF WE GET TO THOSE BOOKS, I THINK IT'S IN THERE, BUT IT'S NOT ADDED IN HERE BECAUSE I DIDN'T KNOW IT AT THIS TIME. SO, AT THIS TIME, WE GAVE HIM CREDIT FOR ALL OF THESE CHECKS BECAUSE THEY WERE CODED TO A JOB. THEY REFERENCED A JOB AND THEY REFERENCED THE COMPANY THAT THEY WERE REIMBURSING. SO, I ASSUME, THAT JOB WAS CHARGED THAT EXPENSE AND IT WAS CORRECT.

Q YOU HAVE SOME OTHER COPIES OF THE PRINTED PART OF THE CHECK IN THE BACK. IS THAT INCLUDED IN YOUR LEDGER?

A I'M SORRY. WHAT WAS THE QUESTION AGAIN?

Q I'M LOOKING AT THE BACK. HAVE YOU INCLUDED ANY OF THE REST OF THE BACKUP IN YOUR 2007 REPORT, THESE CHECKS HERE?

A THIS IS THE ONE THAT I CHARGED. I DIDN'T KNOW WHAT IT WAS.

Q I DIDN'T SEE IT ON THE LIST HERE.

A IT'S THAT 10,050 RIGHT THERE.

Q 10,050?
A I'M SORRY. 1,050.
Q 1,050. SO THAT'S A CHECK PAYABLE TO ...
A IT SAID IT WAS A REIMBURSEMENT FOR MONEY PAID TO RON KEMPE AND CHARLIE RUSSELL, BUT THEY DIDN'T CHARGE IT TO THOSE JOBS. SO, I JUST TOOK IT OUT AND QUESTIONED IT.
Q WAS THE CHECK MADE PAYABLE TO PARK PLACE PROPERTIES?
A CORRECT.
Q IN THE AMOUNT OF $1,050.00, BUT IT WAS NOT EXPENSED AS A COST ON THE JOB LEDGER OF RON KEMPE AND CHARLES RUSSELL?
A CORRECT. THEY MADE THE NOTE THAT IT WAS A JOB COST, BUT THEY DID NOT CHARGE THE JOB FOR IT. AND THE OTHER CHECKS BEHIND IT, THAT'S THE 11 AND THE 20.
Q THE 11,000. IS IT ON THERE ALSO?
A THE CHECK IS BACK THERE. IT SAYS IT'S A DRAW FOR MR. PIPE WRENCH FOR MACKEY. AND I THINK THAT WAS ONE -- I DIDN'T CHARGE HIM FOR IT ANYWAY, BUT I THINK THAT WAS ONE OF THE INVOICES THEY PROVIDED TO US LAST WEEK. AND THE NEXT ONE THAT SAYS THE 20 ...
Q WHEN YOU SAID, "THEY PROVIDED YOU", THIS IS

INDEPENDENT OF THIS? HIS DAUGHTER SUBMITTED A REQUEST FOR CREDIT FOR $11,000.00 FOR MR. PIPE WRENCH? IS THAT WHAT YOU ARE TELLING ME?

A NO. WHEN THEY WERE COMPILING THE INFORMATION OF THE EXPENSES THAT MR. VEREEN HAD PAID AND WHAT HE HAD BEEN REIMBURSED, THEY DID HAVE AN INVOICE IN THERE FROM MR. PIPE WRENCH FOR $11,000.00.

Q AND SHE WAS REQUESTING A CREDIT FOR THAT PAYMENT?

A WELL, SHE HAD THE CHARGE FOR IT AND THEN SHE SHOWED WHERE WE HAD PAID HER BACK. SO, IT'S THE SAME ON OUR BOOKS. IT WASHED. AND ON THEIR BOOKS IT WASHED. I'M BRINGING THAT UP BECAUSE THIS INVOICE MATCHED THE CHECK, WHEREAS, THE NEXT ONE DID NOT.

Q WHAT WAS THE NEXT CHECK?

A THE PAY BACK DEPOSIT ON THE PRE-ENGINEERED METAL BUILDING OF SUE MACKEY. IT WAS 20,000. AND I THINK IF I CHECK, IT MIGHT SAY TO REIMBURSE FOR THE STEEL COMPANY. AND THE INVOICE THEY BROUGHT IN WAS FOR 0-STEEL TO PAY FOR THE MACKEY JOB AND THE BILL WAS 9,500.

Q SHE REQUESTED REIMBURSEMENT FOR THAT AMOUNT IN THE ACCOUNTING SHE GAVE YOU?

A RIGHT.

Q BUT IT HAD ALREADY BEEN PAID BACK TO HER?

A SHE CHARGED THE 20,000, THE 9,500, AND THEN SHE DOES HAVE -- I CAN'T REMEMBER IF SHE WAS ASKING, BUT SHE WAS CHARGING US FOR THE 9,500 FOR THE O-STEEL OR I GUESS JUST VERIFYING THAT MR. VEREEN HAD PAID THAT BILL. AND WHEN I LOOKED ON THE COMPUTER THAT NIGHT, I SAW WHERE WE HAD REIMBURSED THEM 20,000.

Q I SEE BACK IN TWENTY-SIX, COULD YOU TELL THE COURT WHAT THAT IS?

A THESE ARE CHECKS THAT WE FOUND THAT WERE DEPOSITED INTO THEIR BANKS, OTHER THAN A&E WHEN THE CHECK WAS ACTUALLY MADE OUT TO A&E.

Q AND THAT WOULD BE MAULDIN FOR 10,000, WHITLEY FOR 11,500, WILLOUGHBY FAMILY FOR 26 AND 31, WILLOUGHBY FAMILY FOR 5,000, PEOPLES UNDERWRITERS FOR 2,800, PEOPLE UNDERWRITERS FOR 49,000, AND BUILDER MUTUAL FOR A TOTAL OF $136,903.54 IN VARIOUS YEARS?

A CORRECT. BUT I WILL CORRECT THAT TWO OF THE CHECKS FOR THE WILLOUGHBY WERE MADE OUT TO PARK PLACE, BUT I KNEW WILLOUGHBY WAS AN A&E JOB. SO, THOSE TWO CHECKS WERE ACTUALLY MADE OUT TO PARK PLACE INSTEAD OF A&E. BUT, YES, THEY TOTALLED THE 136.

Q WERE ANY OF THESE CHECKS ON THE TAX RETURNS THAT WERE FILED BY A&E, AS BEING RECEIPTS OF THE COMPANY OR EXPENSES THAT MR. VEREEN OWNED BACK TO THE COMPANY?

A NO.

Q IN SOME YEARS, I DON'T THINK TAX RETURNS HAVE BEEN FILED. DID YOU CHARGE THIS IN YOUR COMPILATION AS AN EXPENSE OF MR. VEREEN IN HIS COMPANIES TO A&E, THIS 136,000 ...

A YES, I DID.

Q I DON'T SEE A TWENTY-SIX ON HERE. THAT'S WHY I'M ASKING YOU THAT QUESTION. IS THAT SHOWN SOMEWHERE ELSE? ON YOUR INDEX?

A WHEN YOU GO TO THE NEXT PAGE AFTER THE DEPOSITS THAT HE WAS GIVEN CREDIT FOR.

Q HOW MUCH IN DEPOSITS WAS HE GIVEN CREDIT FOR?

A 151,000 FOR POINTE MARSH, THE MICHAEL ABSON WAS A DEPOSIT FOR 55,035.64, AND GAYLE PERRY FOR 17,770. THESE WERE JOBS THAT PREVIOUSLY DIDN'T HAVE ANY DEPOSITS BEFORE THAT WHY THEY WERE CHARGED AGAINST HIM AND THIS YEAR THERE WERE SOME DEPOSITS. SO, THOSE DEPOSITS WERE CREDITED BACK AS A PAYMENT ON THAT JOB.

Q THIS REFLECTED WHAT WAS DONE IN 2007?

A CORRECT.

Q AND IT SHOWS 136 ON HERE AS SHOWING ACCOUNTS RECEIVABLE AND IT SAYS, "SALES" AND THAT WOULD BE BASED ON THIS LIST OF CHECKS FROM 2005 TO 2009 THAT WERE NOT DEPOSITED INTO THE COMPANY, BUT THEY WERE NOT CHARGED AS ACCOUNTS RECEIVABLE IN THE EARLY YEARS?

A CORRECT. THESE ARE THINGS THAT WE DIDN'T FIND UNTIL THESE BOOKS HAD BEEN DONE. SO, INSTEAD OF GOING BACK AND CHANGING EACH YEAR, WE MADE ALL THE ADJUSTMENTS IN '07. WE DIDN'T KNOW ABOUT THESE EARLIER. SO THAT'S WHY THEY ARE CHARGED IN '07 AND THERE THEY ARE FOR '5, '6, AND '8.

Q YOU HAVE COPIES OF THOSE CHECKS AND WHERE THEY WERE DEPOSITED FOLLOWING THAT -- AFTER TAB TWENTY-SIX?

A YES, SIR.

Q WHAT IS TAB NUMBER TWENTY-SEVEN?

A A LISTING OF THE JOBS THAT WERE NOT COMPENSATED OR NOT FULLY COMPENSATED FOR. THE COST, THE PAYROLL, WHICH HAS BEEN ADDED. THE PAYROLL COST PLUS OVERHEAD AND PROFIT AND THE LIABILITY ADDED TO IT.

Q SO THIS INFORMATION WAS GIVEN TO YOU BY MR. SMITH, WAS IT NOT?

A CORRECT.

Q YOU WERE THERE AT THE DEPOSITION OF MR. VEREEN CONCERNING HOW HE DID PAYROLL COSTS, AS A COST?
A CORRECT.
Q AND ACCORDING TO THIS RECORD ON THE PARK PLACE JOB, DID YOU CHARGE 40% TO PAYROLL COSTS TO THE PARK PLACE JOB AS AN EXPENSE DUE AND OWING BY MR. VEREEN TO THE COMPANY?
A YES, I DID.
Q WHAT WAS THAT BASED UPON?
A MR. SMITH AND I TALKED ABOUT IT AND I THINK MR. VEREEN AT HIS DEPOSITION SAID HE USUALLY CHARGED IT'S EITHER 30 TO 40 OR 35 TO 40 PERCENT FOR PAYROLL.
Q IS THAT CONSISTENT WITH YOUR PRACTICE AND EXPERIENCE AS TO WHAT THE COST OF THE COMPANY WOULD BE FOR A CONSTRUCTION WORKER WORKING FOR A COMPANY?
A YES. I WOULD SAY IT'S IN THE BALLPARK. SOME COMPANIES OFFER DIFFERENT BENEFITS THAN OTHERS, SO IT'S IN THE BALLPARK.
Q SO THESE PAYROLL COSTS WOULD INCLUDE SOCIAL SECURITY MATCH?
A CORRECT.
Q MEDICAID MATCH?
A FICA, MEDICAID, FEDERAL UNEMPLOYMENT AND STATE

UNEMPLOYMENT.

Q WORKERS' COMP?

A LIABILITY WORKERS' COMP, YES.

Q SO YOU COMPUTED WHAT THE ADDITIONAL COST TO THE COMPANY AT 40% OF THE LABOR CHARGE ITSELF?

A CORRECT.

Q AND YOU ADDED THAT TO COME UP WITH IN (D), WHICH WOULD BE THE TOTAL LABOR COSTS?

A I THINK (D) IS THE TOTAL JOB COST WITH THE PAYROLL AND THE ADDITIONAL LABOR.

Q SO, THE FIRST ONE, THE PARK PLACE, THAT'S THE PUTT-PUTT JOB?

A CORRECT.

Q SO THE BOOKS ARE SHOWING $110,021.86 PAID OUT BY THE COMPANY IN CHECKS?

A CORRECT.

Q THE PAYROLL COST WOULD BE $50,037.89? THAT WOULD BE THE COST FOR CHECKS AND PAYROLL?

A THE PAYROLL CHECKS THAT WERE CODED TO THAT JOB.

Q AND THE $20,000.00 WOULD BE THE ADDITIONAL EXPENSE OF THE COMPANY FOR PAYROLL COSTS THAT THE COMPANY WOULD EXPECT TO INCUR WITH $50,000.00 WORTH OF LABOR?

A ACCORDING TO THEIR NUMBERS, CORRECT.

Q AND THAT AMOUNT ON THE JOB WOULD BE $20,015.16?

A CORRECT.
Q SO THE TOTAL JOB COSTS UNDER YOUR COMPILATION WILL BE A $130,037.02 FOR THE PUTT-PUTT JOB?
A CORRECT. BEFORE LIABILITY AND OVERHEAD.
Q YOU HAVE ANOTHER FIGURE IN COLUMN NUMBER (E) AS LIABILITY. IS THAT THE COST OF INSURANCE?
A THAT'S THE NUMBER I WAS GIVEN FOR MR. SMITH. THE LIABILITY WOULD USUALLY BE ABOUT 2% HE SAID.
Q 2% OF THE PAYROLL COSTS?
A OF THE TOTAL COST.
Q YOU ADDED HOW MUCH TO THAT? YOU MULTIPLIED THE JOB COST BY 1.02?
A CORRECT. TO COME UP WITH 2%.
Q SO INCLUDING LIABILITY, THAT COST WOULD BE $132,637.76?
A CORRECT.
Q YOU THIS OVERHEAD AND PROFIT NUMBER THAT IS A FIGURE EQUAL TO 15% OF THE TOTAL JOB COSTS?
A CORRECT.
Q WHAT DID YOU BASE THAT UPON?
A THERE AGAIN, MR. SMITH SAID THAT WAS THE FIGURE THAT THEY HAD TRIED TO USE.
Q WHO IS THEY?
A A&E.
Q AND THAT WOULD BE HE AND MR. VEREEN?

A HIM AND MR. VEREEN.
Q AND OVERHEAD WOULD INCLUDE, WHAT, WHEN YOU HAVE AN OVERHEAD ON THE JOB, A COMPANY OVERHEAD, WHAT DOES THAT INCLUDE?
A YOUR OVERHEAD IS YOUR FIXED COSTS. IT COULD BE THE SALARY OF THE OFFICER. IT COULD BE YOUR RENT, UTILITIES.
Q THAT WOULD BE THE COST OF MR. VEREEN, MR. SMITH, MRS. SISSON, MRS. DREWETT, THE BOOKKEEPER?
A YES.
Q RENT, TRUCKS, GAS.
A EVERYTHING THAT'S NOT REALLY A PART OF THE JOB, BUT EXPENSES THAT YOU HAVE TO HAVE STILL TO DO THAT JOB, TO PERFORM THAT JOB.
Q SO YOU COMBINE THOSE TWO BECAUSE THAT'S THE WAY MR. SMITH TOLD YOU TO DO IT?
A YES. I MEAN, IT'S DONE IN PRACTICE. EVERYBODY USES A LITTLE DIFFERENT PERCENTAGE BECAUSE THEY'RE EXPENSES ARE DIFFERENT, BUT I DID THE NUMBERS AND I DID CONFIRM WITH MR. SMITH AND THROUGH MR. VEREEN'S DEPOSITION OF THE CHARGES HE USUALLY CHARGED.
Q AND SO THE ESTIMATED OVERHEAD AND PROFIT FOR THE PUTT-PUTT JOB WOULD BE 19,895.66?
A CORRECT.

Q THAT WOULD PRESUME, ACCORDING TO MR. SMITH, THAT HE WAS SUPPOSED TO GET OVERHEAD AND PROFIT ON THAT JOB?
A CORRECT.
Q AND MR. VEREEN'S TESTIMONY WAS THAT WAS A COST ONLY JOB, CORRECT?
A I THINK HE SAID THAT.
Q SO THE ADDITIONAL AMOUNT ...
A I KNOW ONE OF THEM WAS A COST ONLY. I THINK IT WAS THE PUTT-PUTT.
Q THE ADDITIONAL AMOUNT DUE OVER AND ABOVE THE JOB LEDGER EXPENSES WAS HOW MUCH FOR THAT JOB?
A 42,511.56.
Q AND THAT'S BASED UPON THOSE MATHEMATICAL FORMULAS YOU USED FOR THE PUTT-PUTT JOB?
A CORRECT.
Q BELOW THAT IS A COLUMN ENTITLED, PLANTATION LAKES". IS THAT THE JOB LEDGER TOTALS FOR THE PLANTATION LAKES JOB WHICH WAS OWNED BY MR. VEREEN?
A YES.
Q AND THAT WAS 132,733.25, WHICH REPRESENTS CHECKS WRITTEN BY THE COMPANY FOR A PAYMENT OF JOB EXPENSES ON THE PLANTATION LAKES JOB?
A CORRECT.

Q AND YOU DID THE SAME MATHEMATICAL COMPUTATIONS AND ADDED PAYROLL COSTS TO THE PAYROLL EXPENSES FOR THAT JOB?
A CORRECT.
Q AND THEN YOU ADDED THE ADDITIONAL 40% AND YOU ADDED THE 2% FOR THE LIABILITY COSTS AND YOU CAME UP WITH 136,835.15?
A CORRECT.
Q THAT'S A MATHEMATICAL FORMULA TO YOU?
A CORRECT.
Q BASED UPON WHAT MR. SMITH TOLD YOU AND THE DEPOSITION OF MR. VEREEN?
A AND THE EXPENSES THAT WERE KEYED TO THAT JOB.
Q AND YOU USED THE SAME 15% OVERHEAD AND PROFIT FIGURE THAT YOU DISCUSSED EARLIER?
A CORRECT.
Q COMING UP WITH A OVERHEAD AND PROFIT OF 20,525.27?
A CORRECT.
Q DO YOU THINK THAT'S REASONABLE IN THIS MARKET FOR A CONSTRUCTION COMPANY?
A YES, I DO.
Q AND SO THE TOTAL EXPENSE FOR THE JOB WOULD BE 157,360.42 ADDING THOSE FIGURES TOGETHER?
A YES.

Q SO THE ADDITIONAL AMOUNT DUE UNDER FORMULA, OVER AND ABOVE THE JOB LEDGER, WOULD BE 24,627.17?
A YES. AND I GUESS I SHOULD SPECIFY THE ADDITIONAL AMOUNT DUE MEANS, ADDITIONAL ON TOP OF WHAT WE ALREADY SAID, WAS DUE. NOT THE ...
Q CORRECT.
A OKAY.
Q THAT WOULD BE THE EXPENSES ON THE JOB ...
A ADDITIONAL JOB CALLS, I GUESS, IT SHOULD HAVE BEEN.
Q AND MR. MR. SMITH TOLD YOU THAT 15% WAS WHAT THE COMPANY SHOULD HAVE RECEIVED FOR LABOR AND OVERHEAD ON THAT JOB?
A CORRECT.
Q AND I BELIEVE MR. VEREEN SAID IT SHOULD BE A COST ONLY JOB, OVERHEAD ONLY?
A I THINK HE DID SAY COST ONLY.
Q NOW, ON THE NEXT PAGE, DO YOU DO THE SAME COMPUTATION FOR THE PARKWAY OFFICES JOB?
A CORRECT.
Q DID YOU COME UP WITH AN ADDITIONAL AMOUNT USING THE SAME FORMULAS FOR THE PARKWAY OFFICES JOBS, $26,589.73 THAT WAS DUE OVER AND ABOVE THE JOB LEDGER EXPENSES?
A YES.

Q ARE THOSE ADDITIONAL EXPENSES CUSTOMARY AND REASONABLE FOR A CONSTRUCTION COMPANY?

MS. COOK: OBJECT.

Q DO YOU RECALL MR. VEREEN TESTIFYING TODAY OR IN HIS DEPOSITION THAT HE EXPECTED TO PAY THE OVERHEAD COSTS TO THE COMPANY FOR HIS JOBS?

A I RECALL HIM SAYING THAT HE EXPECTED -- SOMETHING ABOUT PAYING -- EXCEPT FOR THE PUTT-PUTT THAT WAS A COST ONLY. I CAN'T QUOTE THE FIRST PART OF THAT SENTENCE, BUT THERE WAS SOMETHING SIMILAR TO THAT SAID, BUT I'M NOT GOING TO -- I CAN'T REMEMBER EXACTLY WHAT HE SAID. BUT I REMEMBER THE COST ONLY PART BEING BROUGHT UP.

Q LET'S MOVE ON. FOR THE PARKWAY OFFICES JOB USING YOUR FORMULA, DID YOU DETERMINE HOW MUCH ADDITIONAL WAS DUE OVER AND ABOVE THE JOB LEDGER COSTS?

A YES.

Q HOW MUCH ADDITIONAL MONEY WAS DUE?

A $26,589.73.

Q MS. BRADY, IN YOUR ACCOUNTING PRACTICE, SHOULD A COMPANY EVER PERFORM A JOB WITHOUT AN EXPECTATION OF GETTING ITS OVERHEAD BACK FROM THE CUSTOMER?

A I DON'T THINK SO, NO.
Q SHOULD A COMPANY EVER PREFORM A JOB WITHOUT THE EXPECTATION OF MAKING A PROFIT?
A NOT IN MY OPINION.
Q DID MR. SMITH TELL YOU THAT HE EVER AGREED TO PERFORM SERVICES FOR MR. VEREEN'S COMPANY WITH NO EXPECTATION OF PROFIT OR OVERHEAD?
A NO. I THINK HE DID MAKE A COMMENT ABOUT HIS PERSONAL HOUSE, MR. VEREEN'S PERSONAL HOUSE. THAT HE DID NOT EXPECT ...
Q HE DID NOT CHARGE EXPENSES ON HIS PERSONAL HOUSE OR DID HE?
A I DON'T THINK THERE'S ANY OVERHEAD AND PROFIT. NO, THERE'S NOT. I THINK THAT'S THE ONLY ONE.
Q THE BRIAN MAULDIN JOB IS NEXT. THOSE EXPENSES OF 96,036.96 ARE TAKEN OFF THE JOB LEDGER?
A CORRECT.
Q AND THAT'S HIS NEPHEW?
A I'M NOT SURE OF HIS RELATIONSHIP.
Q AND THERE WERE NO LABOR CHARGES ON THAT, WERE THERE?
A I DON'T THINK THEY HAD ANY KEYED TO LABOR.
Q YOU ADDED 2% FOR LIABILITY INSURANCE?
A CORRECT.
Q AND YOU USED YOUR MATHEMATICAL FORMULA FOR 15%?

A CORRECT.
Q AND WHAT IS THE ADDITIONAL AMOUNT DUE THAT YOU CHARGED MR. VEREEN FOR THE MAULDIN JOB?
A $1,667.19.
Q GOING NEXT IS THE POINTE MARSH JOB. THAT WOULD BE -- POINTE MARSH WOULD BE A PARK PLACE PROPERTY JOB, IS THAT CORRECT?
A YES.
Q THE JOB LEDGER SHOWED $959,287.40 THAT WAS PAID ON BEHALF OF THE POINTE MARSH JOB OUT OF THE A&E ACCOUNT?
A CORRECT.
Q AND IT SHOWS OF THAT AMOUNT, HOW MUCH OF THAT WAS FOR LABOR?
A $133,221.97.
Q DID YOU COMPUTE THE ADDITIONAL CHARGES TO THE COMPANY OR COST TO THE COMPANY OF 40% ALONG THE SAME WAY AS YOU DID BEFORE?
A YES, I DID.
Q AND HOW MUCH WAS THAT?
A $53,288.79.
Q SO YOUR TOTAL JOB COST, INCLUDING THESE PAYROLL COSTS, WOULD BE HOW MUCH BEFORE YOU HAD A PROFIT?
A 1,012,576.19.

Q AND THEN YOU ADDED IN 2% FOR LIABILITY INSURANCE, 1.02?

A CORRECT.

Q WHAT WAS THE TOTAL AMOUNT AFTER YOU ADDED LIABILITY COSTS?

A CAN I BACK UP HERE?

Q ABSOLUTELY.

A THE LIABILITY I WAS TOLD TO PUT ON THE WHOLE JOB, I DID NOT HAVE A COST. THE ONLY COST THAT I HAD WAS WHAT WAS PUT ON THE BOOKS OF A&E, THE 9,059,000. SO MR. SMITH, THE ESTIMATED COST FOR THEIR ENTIRE PROJECT, PER FIRST PALMETTO BANK, WAS 240,000 PER UNIT AND THAT WAS INCLUDING OVERHEAD AND THE PROFIT, WHICH WAS ESTIMATED AT 15%, OBVIOUSLY, WHEN THEY DID THE BANK LOAN. SO, WHAT I DID WAS TOOK OUT THE OVERHEAD/PROFIT AND IT CAME TO 208,696 THAT THEY HAD ESTIMATED TO BE THE BUILDING COST PER BUILDING. SO WHAT I DID WAS -- A&E HAD ALREADY PAID LIKE 959,287. SO, TO COME UP WITH A LIABILITY AND TO HIT THE TOTAL COST, I SUBTRACTED THE 959,000 OUT OF THE FOUR POINT EIGHT MILLION TO SEE WHAT THE BALANCE -- ASSUMING THAT WAS PAID OUT OF ANOTHER COMPANY, WHICH WAS $3,767,172.79.

Q YOU DIDN'T CHARGE THAT TO THEM? THAT'S YOUR

ESTIMATE OF THE COST OF THE CONSTRUCTION ITSELF BASED UPON THE INFORMATION THEY GAVE THE BANK?

A CORRECT.

Q OF WHICH ONE MILLION OR SO DOLLARS HAD BEEN PAID OFF THE BOOKS OF A&E. $950,000.00 PLUS THE EXTRA COSTS?

A CORRECT. I WAS USING THAT TO GET THE OVERHEAD/PROFIT FIGURE.

Q WHY DID YOU CHARGE PARK PLACE PROPERTIES AND MR. VEREEN WITH EXPENSES FOR THE 23 HOUSES THAT WERE PAID FROM ACCOUNTS OTHER THAN A&E?

A WELL, I FELT LIKE THE OVERHEAD AND PROFIT, IF IT HAD BEEN THEIR JOB IT WAS A LARGE JOB THAT A&E, IF IT WAS THEIR JOB, THEY SHOWED TO BE ENTITLED TO THE OVERHEAD AND PROFIT.

Q WAS THAT THE SAME OVERHEAD THE OFFICE -- WHERE A&E WAS, WAS THAT THE OFFICE WHERE PARK PLACE PROPERTIES DID THEIR WORK OR DID THEIR CHECKING ACCOUNTS?

A YES. EVERYTHING WAS OPERATED OUT OF THE SAME OFFICE TO MY KNOWLEDGE.

Q SAME TRUCKS AND EQUIPMENT. SO YOU BASED OVERHEAD AND PROFIT UPON THE TOTAL COST OF CONSTRUCTION WHETHER A&E ACTUALLY WROTE THE CHECKS?

A CORRECT.
Q WHAT WAS THE TOTAL AMOUNT OF OVERHEAD AND PROFIT THAT YOU ATTRIBUTED TO THIS JOB, TAKING INTO ACCOUNT THE TOTAL EXPENSE OF THE 23 HOUSES? I THINK YOU HAVE BROKEN IT DOWN TWO WAYS?
A YES. I JUST CHARGED THE LIABILITY, AND PAYROLL COSTS WERE NOT CHARGED ON THE ESTIMATED FIGURES. I JUST CHARGED THE ADDITIONAL OVERHEAD AND PROFIT ON THE MONEY THAT WAS PAID BY ANOTHER COMPANY. IT WOULD HAVE BEEN $565,075.84.
Q THAT WOULD BE MONIES PAID BY PERSONS OR ENTITIES OTHER THAN ...
A OTHER THAN A&E. IF THE COST WERE AS THEY SAID THEY WERE.
Q OVERHEAD AND PROFIT FOR THE MONEY PAID BY A&E WAS HOW MUCH?
A $228,464.47.
Q WAIT A MINUTE. 154,924.16 WAS THE OVERHEAD AND PROFIT ON A&E'S PART, WAS IT NOT?
A SORRY. YOU WERE JUST ASKING FOR THE OVERHEAD AND PROFIT?
Q YES. JUST ON THE PART THAT A&E PAID.
A THAT WAS $154,924.16.
Q SO, THE ADDITIONAL AMOUNT THAT WAS DUE, BASED ON THE MONEY THAT WAS PAID OUT OF THE A&E ACCOUNT,

WOULD BE HOW MUCH? OVER AND ABOVE WHAT WAS ALREADY CHARGED TO HIM ON THE JOB LEDGER.

A $228,464.47.

Q THE TOTAL AMOUNT THAT WOULD'VE BEEN DUE FOR PROFIT AND OVERHEAD FOR THE 23 HOUSES TOTAL, NOT ACCOUNTING FOR WHAT A&E PAID, WOULD BE HOW MUCH?

A $565,075.84.

Q YOU CHARGED THAT TO MR. VEREEN AND HIS RELATED COMPANIES?

A CORRECT.

Q GOING DOWN TO THE GAYLE PERRY JOB, THAT WAS THE NEXT ONE. $17,059.02, DOES THAT REPRESENTATIVE THE TOTAL OF JOB COSTS PAID OUT ON THE JOB LEDGER?

A CORRECT.

Q YOU HAVE THE LABOR WAS $1,810.75?

A CORRECT.

Q AND YOU ADDED THE 40% TO THAT?

A YES.

Q SO THE GROSS JOB WAS 17,783.32?

A CORRECT.

Q TO WHICH YOU ADDED 2% FOR THE LIABILITY INSURANCE?

A CORRECT.

Q YOU PUT IN A PROFIT OF 15% -- PROFIT AND

OVERHEAD OF 15%?

A CORRECT.

Q AND THE TOTAL AMOUNT DUE OVER AND ABOVE?

A $3,800.81.

Q YOU CHARGED THAT BACK TO MR. VEREEN?

A YES.

Q NOW, THE LITCHFIELD MEDICAL CENTER, WAS THAT A JOB LEDGER ALSO FOR A&E?

A CORRECT.

Q DOES IT REFLECT 43,048.62 DUE?

A YES.

Q AND YOU ATTRIBUTED HOW MUCH FOR LABOR?

A $345.76.

Q WE WILL GIVE THEM THE BENEFIT OF THAT. LET'S JUST LEAVE IT WHERE IT IS AT 35.63.

A OKAY.

Q YOU ADDED $14.00 FOR PAYROLL COSTS TO THE COMPANY. USING THE SAME FORMULA THEY WOULD OWE YOU HOW MUCH MORE MONEY?

A 769.03.

Q AND THAT WOULD BE -- LITCHFIELD MEDICAL WAS AN EXPENSE OF ARTHUR VEREEN CONSTRUCTION THAT WAS PAID OUT OF THE A&E ACCOUNT?

A CORRECT.

Q MICHAEL ABSON'S JOB WAS ON A JOB LEDGER AND

THOSE ARE YOUR EXPENSES OF 32,427.80?

A CORRECT.

Q YOU HAD $27,003.00 WORTH OF LABOR ON THAT JOB?

A YES. THAT'S WHAT WAS CODED TO LABOR.

Q YOU ADDED THE 40% FOR THE EMPLOYERS COST OF LABOR?

A YES.

Q AND YOU COMPUTED THE PROFIT THE SAME WAY YOU DID THE OTHER ONE?

A YES, SIR.

Q WHAT WAS THE ADDITIONAL CHARGE THAT WAS DUE AND OWING OVER AND ABOVE WHAT WAS SHOWN ON THE JOB LEDGER ITSELF?

A $6,878.26.

Q ON MRS. SISSON HOUSE, DID YOU -- WAS THE JOB LEDGER EXPENSES SHOWN AS BEING $46,225.82? THAT'S REALLY ONLY THROUGH 2007, IS IT NOT?

A CORRECT.

Q THERE WERE EXPENSES IN 2008 THAT YOU HAVE NOT COMPUTED?

A YES. THIS IS ALL THE JOB REPORTS IN THIS BOOK ARE THROUGH 2007.

Q AND YOU ARE SHOWING PAYROLL ON THAT JOB OF $15,251.00?

A YES.

Q AND THE 40% COST IS $6,100.40?
A CORRECT.
Q USING THE SAME FORMULA THAT YOU USED BEFORE? YOU ARE SHOWING HOW MUCH ADDITIONAL DUE FOR THAT YEAR OVER AND ABOVE WHAT IS SHOWN ON THE JOB LEDGER FOR 2006?
A $15,152.84.
Q THIS DOESN'T REFLECT CHARGES FOR 2007, 2008?
A CORRECT. NOT FOR 2008.
Q SEVEN OAKS WAS THE JOB LEDGER FOR THE COMPANY?
A YES.
Q AND THAT WAS A JOB OF ARTHUR VEREEN CONSTRUCTION ALSO, MR. VEREEN?
A YES.
Q YOU'RE SHOWING $19,527.54 FOR EXPENSES PAID OUT OF THE A&E ACCOUNT?
A YES.
Q AND YOU ARE SHOWING NO LABOR?
A DOESN'T LOOK LIKE ANY WAS PAID.
Q AND YOU HAVE ADDED LIABILITY INSURANCE AND PROFIT/OVERHEAD TO THAT?
A YES.
Q AND HOW MUCH IS DUE AND OWING ABOVE THE AMOUNT SHOWN ON THE JOB LEDGER?
A $3,378.26.

Q NOW, ON THE MURRELL'S INLET HOUSE, YOU ARE SHOWING $28,585.60 AS TOTAL EXPENSES ON THE JOB LEDGER 207?
A CORRECT.
Q AND YOU ARE SHOWING LABOR CHARGES OF $10,110.13?
A YES.
Q YOU HAVE ADDED 40% TO THOSE LABOR CHARGES, $4,044.05?
A YES, I DID.
Q SO THE TOTAL JOB COST WOULD BE $32,629.65?
A YES.
Q AND YOU ADDED THE 2% FOR LIABILITY INSURANCE?
A 2% LIABILITY.
Q AND HOW MUCH IS DUE AND OWING OVER AND ABOVE WHAT THE JOB LEDGER SHOWS HAS BEEN PAID OUT BY THE COMPANY?
A THE COST WITH PAYROLL IS $6,479.37 ADDITIONAL.
Q THAT'S OVER THE 28,585.60?
A CORRECT.
Q YOU DIDN'T HAVE ANY PROFIT AND OVERHEAD SHOWING ON THE MURRELL'S INLET HOUSE AT ALL, DID YOU?
A NO, I DID NOT.
Q SO THE SUM TOTAL OF THESE ADDITIONAL EXPENSES IS HOW MUCH?
A $925,394.53.

Q THE TOTAL SHOWN ON THE BOOKS FOR THESE JOBS IS $1,462,635.47?
A CORRECT. THAT'S IN 2007.
Q YOU CHARGED THOSE AS AN EXPENSE FOR MR. VEREEN AND HIS COMPANIES FOR MONIES ADVANCED ON JOBS THAT HE OWNED?
A THROUGHOUT THE FOUR YEARS.
Q NUMBER TWENTY-EIGHT, YOU ARE SHOWING AN EXPENSE OF CRAWFORD AND COMPANY, A CHECK IN THE AMOUNT OF $13,278.33?
A CORRECT.
Q THAT'S A 2009 CHECK?
A YES, IT IS.
Q WHAT WAS THAT FOR?
A I WAS TOLD THAT WAS FOR AN INSURANCE PAYMENT ON SOME OF A&E'S EQUIPMENT.
Q THAT WAS STOLEN?
A THAT WAS STOLEN.
Q WAS THIS CHECK DEPOSITED INTO PARK PLACE PROPERTIES?
A I BELIEVE SO, BUT I DON'T HAVE THE DEPOSIT SLIP.
Q AND FOLLOWING THAT, YOU GOT A CHECK PAYABLE TO ARTHUR W. VEREEN FOR $13,278.33 FROM CRAWFORD AND COMPANY. THAT IS THE CHECK, IS IT NOT?
A YES, THAT'S THE CHECK.

Q WHAT IS THE BASIS OF CHARGING THIS BACK TO MR. VEREEN?

A I'M SORRY. I JUST TOLD YOU THAT WAS DEPOSITED INTO PARK PLACE. WHAT WAS YOUR QUESTION?

Q BUT THE CHECK WAS MADE PAYABLE TO MR. VEREEN, WAS IT NOT?

A CORRECT. ARTHUR W. VEREEN.

Q WERE YOU INFORMED BY MR. SMITH THAT, THAT WAS FOR PROPERTY OWNED BY A&E?

A CORRECT.

Q GOING BACK INTO NUMBER TWENTY-NINE, "CHANGES ADDED/DELETED SINCE REVIEW OF BANK STATEMENTS." ARE THESE THE ADJUSTMENTS THAT YOU HAVE MADE AT THE END OF 2007 OR ADDITIONAL THINGS THAT YOU FOUND LATER ON?

A YES. WHEN I WAS FINISHED UP THIS 2007 BOOK. AS I WAS SAYING EARLIER, SOME OF THE EXPENSES SINCE THERE IS SO MUCH PAPER HERE, THE ERRORS OR THINGS THAT HAVE BEEN CONFIRMED OR ADDITIONAL INFORMATION THAT HAD BEEN FOUND, I MADE AN ENTRY IN THE 2007 BOOK WITHOUT HAVING TO GO BACK AND CHANGE ALL THE FOUR BOOKS.

Q IN 2004, YOU HAVE ADJUSTMENTS OF 53,044.70. WAS THAT A ...

A THAT WAS THE FIRST TWO FOR THE PRUDENTIAL

INSURANCE THAT WE WERE TALKING ABOUT AND I THINK MR. VEREEN TESTIFIED, ORIGINALLY, HE HAD PUT ON THERE IT WAS A DRAFT FOR THE WHOLE YEAR AND THEN ONCE WE GOT THE BANK STATEMENT AND ALL THE RECORDS, WE FOUND OUT THAT PRUDENTIAL DIDN'T START UNTIL SEPTEMBER OR OCTOBER.

Q SAME WAY WITH JOHN HANCOCK?

A YES. IT WAS JUST VERIFIED WHAT THE ACTUAL ONES WERE. WE DIDN'T HAVE THE FRONT PAGES FOR THE BANK STATEMENTS TO START WITH. SO, THESE WERE DRAFTS THAT WERE NOT ACTUALLY MADE AFTER WE VERIFIED.

Q AND YOU GAVE HIM CREDIT ...

A WE GAVE HIM CREDIT BACK, YEAH. WE DEBITED IT BACK TO HIS RECEIVABLE WHERE I HAD CREDITED IT BEFORE.

Q 2005 YOU ARE SHOWING THREE ENTRIES. CAN YOU TELL ME WHAT THOSE WERE AND WHAT CHANGES YOU MADE?

A THESE WERE THREE EXPENSES -- I THINK AFTER FURTHER REVIEW OR MAYBE MR. SMITH GOING THROUGH THE BOOKS, WE FOUND SOME OTHER EXPENSES THAT WE DIDN'T -- OR HE WASN'T SURE THAT THEY SHOULD HAVE BEEN EXPENSES. I THINK IT WAS PROPERTY OR JOBS THAT WERE NOT LIKE THE FIRST ONE TILGHMAN.

LET'S SEE PYRAMID ENGINEERING. THAT'S ACTUALLY THE THIRD ONE.

Q IS THAT SHOWING A CHECK OF $650.00 PAID BY THE COMPANY FOR PYRAMID ENGINEERING?

A YES. FOR A SURVEY ON TILGHMAN ESTATES.

Q TILGHMAN ESTATES WAS NOT A JOB OF A&E?

A THERE WAS NOT A JOB ON THE BOOK LEDGER LISTED AS TILGHMAN ESTATES.

Q THIS WAS A CHECK WRITTEN OUT OF A&E TO PYRAMID ENGINEERING THAT YOU INITIALLY DIDN'T CATCH AS BEING A EXPENSE TO BE CHARGED TO THEM?

A CORRECT.

Q AND THE CHECK MADE PAYABLE TO RICE MACDONALD AND WINTERS, THAT'S A LAW FIRM?

A YES.

Q DOES IT STATE ON THE COMPUTERIZED COPY OF THE CHECK WHAT THOSE EXPENSES WERE FOR?

A YES. THE STUB OF THAT CHECK SAYS IT IS FOR ARTHUR VEREEN CONSTRUCTION. $183.50 IS FOR ARTHUR VEREEN CONSTRUCTION AND ...

Q WAIT A MINUTE. THAT SAYS, "AVC VERSUS AMERICAN FIRE AND CASUALTY"?

A CORRECT.

Q AND THE SECOND ONE SAYS WHAT?

A "PERSONAL SERVICES FOR PARK PLACE PROPERTIES."

Q YOU DIDN'T CATCH THIS CHECK AS BEING AN IMPROPER EXPENSE WHEN YOU DID THE 2007 REVIEW OF THE RECORDS?
A CORRECT.
Q WAS THIS CHARGED AS A JOB EXPENSE OR DO YOU KNOW?
A I DON'T KNOW, BUT I COULD CHECK IT.
Q THIS WAS TAKEN AS A BUSINESS ...
A IT'S NOT SHOWING AS A JOB EXPENSE HERE.
Q WAS IT TAKEN AS A BUSINESS EXPENSE ON THE 2005 TAX RETURN OF THE COMPANY?
A YES. I THINK IT WAS.
Q YOU HAVE CHARGED BOTH OF THESE EXPENSES BACK TO MR. VEREEN AND HIS COMPANIES?
A CORRECT.
Q DOWN HERE YOU HAVE A CHECK TO THE LAW OFFICE OF STANLEY ROGERS FROM A&E FOR $2,250.00?
A CORRECT.
Q DID YOU SUBSEQUENTLY DETERMINE THAT, THAT WAS NOT AN EXPENSE OF A&E?
A I BELIEVE I WAS INFORMED THAT, THAT WAS ARTHUR VEREEN CONSTRUCTION. I DON'T SEE ANYTHING HERE.
Q YOU CHARGED AN EXPENSE OF PYRAMID ENGINEERING, LOT 60, WHICH IS A 2006 EXPENSE THAT WAS NOT WAS CAUGHT IN THE AMOUNT OF $500.00. WHAT DOES THE

COMPUTERIZED RECORDS OF THAT CHECK SAY THAT, THAT WAS FOR?

A SURVEY LAYOUT ON LOT 60.

Q ARE YOU AWARE OF ANY JOB LEDGER OR JOB EXPENSE FOR A LOT 60?

A NO. AND IT WAS NOT CODED TO A JOB THAT WAS SET UP ON THE JOB LEDGER.

Q AND YOU CHARGED THAT BACK TO MR. VEREEN AND HIS COMPANY?

A CORRECT.

Q IN THE LAST ONE IS 2007, WAS A CHECK PAYABLE TO LOHMANN EDUCATION SERVICES, DATED MAY 10TH, 2007 AND HOW MUCH WAS THAT CHECK FOR?

A $838.76.

Q DID YOU LATER DETERMINE THAT WAS A SEMINAR THAT MRS. SISSON WENT TO ON CONDOMINIUMS?

A I THINK SHE TESTIFIED -- NOT TESTIFIED, BUT DID SAY THAT WAS A SEMINAR THAT SHE HAD WENT TO. I DON'T KNOW WHAT IT WAS FOR.

Q DID MR. SMITH TELL YOU THAT WAS AN AUTHORIZED EXPENSE OF A&E?

A NO. HE SAID IT WAS NOT.

Q SO GOING BACK HERE FOR THE CALENDAR YEAR OF 2007, DID YOU MAKE ALL THESE ADJUSTMENTS THAT ARE ON THE BACK, WERE THEY INCLUDED IN YOUR

FINAL NUMBERS?

A YES.

Q HOW MUCH ACCOUNTS RECEIVABLE WAS THERE FOR MR. VEREEN GIVEN ALL THE CREDITS OR PAYMENT MADE BY THE VEREEN ENTITIES TO A&E?

A ONE MORE TIME PLEASE.

Q HOW MUCH DID A&E RECEIVE ACCORDING TO THE BOOKS AND RECORDS OF THE COMPANY FROM THE A&E ENTITIES, I MEAN, FROM THE VEREEN ENTITIES?

A HOW MUCH MONEY?

Q YES, MA'AM. DID YOU RECORD ON HERE ALL THE DEPOSITS THAT WERE MADE?

A YES, I DID.

Q THAT WOULD BE DEPOSITS MADE FROM WAYNE VEREEN, ANY OF HIS COMPANIES OR ANY OF HIS FAMILY MEMBERS?

A CORRECT.

Q YOU GAVE HIM CREDIT FOR THOSE?

A CORRECT. FOR THE POINTE MARSH DEPOSITS, THE DEPOSIT WAS CODED FOR ABSON AND I THINK IT WAS TWO DEPOSITS FOR PERRY.

Q SO WHAT IS THE TOTAL AMOUNT? YOU ALSO SHOW AN ACCOUNT RECEIVABLE THAT YEAR FOR MR. SMITH OF $10,876.55?

A CORRECT.

Q WHAT IS THE TOTAL AMOUNT THAT IS DUE FOR THE CALENDAR YEAR 2007 TO MR. VEREEN AND THE RELATED ENTITIES?

A BEFORE THE CREDITS AND THE DEPOSITS?

Q AFTER THE CREDITS AND DEPOSITS.

A JUST FOR 2007?

Q YES.

A $248,915.88 WAS CHARGED TO HIM. IT THINK I'M GOING TO HAVE TO ADD ALL THESE UP.

MR. DURANT: THIS MIGHT BE A GOOD PLACE TO STOP.

OFF THE RECORD.

(THIS HEARING WAS ADJOURNED AT 7:00 P.M. ON 2/16/11)

SOUTH CAROLINA,

CERTIFICATE

HORRY COUNTY.

I, PEPPER M MCCARTHY, A NOTARY PUBLIC AND VERBATIM REPORTER IN AND FOR THE STATE OF SOUTH CAROLINA DO HEREBY CERTIFY THAT THE WITNESSES WERE DULY SWORN PRIOR TO THE TAKING OF THIS HEARING AND THAT THE FOREGOING (THREE HUNDRED AND EIGHTY-SIX)(386) PAGES CONSTITUTE A TRUE AND ACCURATE TRANSCRIPT OF THE TESTIMONY ONLY; OF THE EVIDENCE AS GIVEN BY SAID WITNESS AND AS TAKEN DOWN AND TRANSCRIBED BY ME. I FURTHER CERTIFY THAT THE PERSONS WERE PRESENT AS STATED IN THE CAPTION.

I FURTHER CERTIFY THAT I AM NOT OF COUNSEL FOR NOR IN THE EMPLOY OF ANY OF THE PARTIES TO THIS ACTION NOR AM I INTERESTED EITHER DIRECTLY OR INDIRECTLY IN THE RESULTS THEREOF.

I FURTHER CERTIFY THAT I AM NOT RELATED BY BLOOD OR MARRIAGE TO ANY OF THE PARTIES TO THIS ACTION. THIS THE APRIL 20, 2011.

Pepper M /S/

PEPPER M. MCCARTHY,
VERBATIM REPORTER AND
NOTARY PUBLIC

MY COMISSION EXPIRES:
JANUARY 29, 2012

STATE OF SOUTH CAROLINA
COUNTY OF HORRY

IN THE COURT OF COMMON PLEAS
FIFTEENTH JUDICIAL CIRCUIT

CASE NUMBER 2009-CP-26-0620

ELLIS E. SMITH, INDIVIDUALLY, AND ON BEHALF OF A&E CONSTRUCTORS AND CONSULTANTS, INC., A SOUTH CAROLINA CORPORATION,

PLAINTIFFS,

V.

ARTHUR WAYNE VEREEN, PARK PLACE PROPERTIES OF MYRTLE BEACH, LLC, PARKWAY OFFICES, LLC, PARKWAY OFFICE, LLC, ARTHUR VEREEN CONSTRUCTION INC. AND LINDA C. VEREEN,

ORIGINAL

DEFENDANTS.

ARTHUR WAYNE VEREEN, INDIVIDUALLY AND ON BEHALF OF A&E CONSTRUCTORS AND CONSULTANTS, INC., AND 29TH PLACE DEVELOPERS, INC.,

THIRD-PARTY PLAINTIFFS

V.

E. SMITH AND SONS CONSTRUCTION, LLC, EES CONSTRUCTION AND CONSULTING, INC., AND ELLIS E. SMITH INDIVIDUALLY,

THIRD-PARTY DEFENDANT'S

HEARING

FEBRUARY 15 & 16, 2011

AS TAKEN AND TRANSCRIBED BY PEPPER M. MCCARTHY, NOTARY PUBLIC AND VERBATIM REPORTER, IN FRONT OF THE HONORABLE CYNTHIA??? HOWE, AT HORRY COUNTY GOVERNMENT AND JUSTICE CENTER, 1301 SECOND AVENUE, CONWAY, SOUTH CAROLINA.

****THIS IS AN OFFICIAL TRANSCRIPT GOVERNED BY 25A SOUTH CAROLINA CODE ANN. REGS. 67-615D (SUPP. 2000). THE UNAUTHORIZED COPYING OF THIS DOCUMENT IS DEEMED TO BE CONVERSION OF AN ASSET BELONGING TO THE COURT REPORTER.**

APPEARANCES

FOR PLAINTIFFS:

COOK & ROY
KATHRYN M. COOK, ESQ.
10409 N. KINGS HIGHWAY
MYRTLE BEACH, SOUTH CAROLINA 29577

BETH SISSON
ARTHUR WAYNE VEREEN

FOR DEFENDANTS: E SMITH AND SONS

THOMAS & BRITTIAN
JACKSON THOMAS, ESQ.
1314 PROFESSIONAL DRIVE
MYRTLE BEACH, SOUTH CAROLINA 29577

ELLIS SMITH
DURANT & MARTIN
FRANK H. DURANT
2107 FARLOW STREET
MYRTLE BEACH, SOUTH CAROLINA 29577

ELLIS SMITH
SUSAN BRADY

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BOLD EXHIBITS ARE ONLY IDENTIFIED, AND NOT IN EVIDENCE

COURT REPORTERS NOTES: DEFENDANT'S COUNSEL MARKED HER OWN EXHIBITS DURING TRIAL

ELLIS SMITH, HAVING BEEN DULY SWORN, TESTIFIED AS FOLLOWS:

DIRECT EXAMINATION BY MR. DURANT

ELLIS SMITH, HAVING BEEN FIRST DULY SWORN, TESTIFIED AS FOLLOWS:

COURT REPORTER: STATE YOUR NAME AND SPELL IT FOR THE RECORD PLEASE, SIR.

A ELLIS E. SMITH, E-L-L-I-S S-M-I-T-H.

Q MR. SMITH, HOW LONG HAVE YOU LIVED IN HORRY COUNTY?

A 30 YEARS.

Q WHAT'S YOUR OCCUPATION?

A CONTRACTOR.

Q DID YOU GRADUATE FROM THE UNIVERSITY OF SOUTH CAROLINA?

A YES, SIR.

Q MYRTLE BEACH HIGH SCHOOL?

A NO. WADE HAMPTON HIGH SCHOOL IN GREENVILLE, SOUTH CAROLINA.

Q HOW LONG HAVE YOU LIVED IN MYRTLE BEACH?

A SINCE 1981.

Q HOW LONG HAVE YOU BEEN INVOLVED IN THE CONSTRUCTION BUSINESS?

A SINCE 1970.

Q IN ONE WAY OR THE OTHER?

A RIGHT.

Q YOU'RE A 50% PERCENT OWNER IN THE PLAINTIFF'S

A&E CONTRACTORS?

A YES, SIR.

Q WHEN DID YOU FORM THIS COMPANY?

A IN 2003.

Q NOW, HOW LONG HAVE YOU KNOWN MR. WAYNE VEREEN?

A SINCE AUGUST OF 1981.

Q AND YOU HAVE DONE BUSINESS FOR HIM AND DONE BUSINESS WITH HIM OVER THESE YEARS?

A YES.

Q AND YOU ACTUALLY WORKED FOR HIM?

A YES, SIR.

Q AND YOU HAVE NEVER BEEN A BUSINESS PARTNER WITH HIM BEFORE THIS, HAVE YOU, SIR?

A NO.

Q TELL THE COURT WHAT PRECIPITATED YOU AND MR. VEREEN GOING INTO BUSINESS IN A&E, THE PLAINTIFF?

A AT THE TIME, HE HAD SOME PROJECTS GOING ON AND HE WAS HAVING SOME DIFFICULT TIMES FINISHING THEM. I WAS DOING ODD JOBS, NO BIG JOBS AND REALLY DIDN'T HAVE THE FINANCIAL ABILITY TO DO THE BIG JOBS, BUT HAD IN THE PAST, BUILT THOUSANDS OF CONDOMINIUMS FOR OTHER PEOPLE AND HAD THE EXPERTISE TO DO THEM, BUT DIDN'T HAVE THE FINANCIAL BACKING TO DO THEM. AND IT WAS

SORT OF A GOOD FIT. I COULD RUN THE STUFF IN THE FIELD AND HE COULD RUN THE STUFF IN THE OFFICE AND IT WOULD BE A GOOD COMPANY.

Q WHAT WAS MR. VEREEN BUILDING AT THAT TIME THAT WAS CAUSING HIM SOME PROBLEMS?

A SEVEN OAKS.

Q WHAT KIND OF PROBLEMS DID HE TELL YOU HE WAS HAVING?

A JUST HAVING A TOUGH TIME FINISHING THEM IN A TIMELY MANNER.

Q WHAT KIND OF PROBLEMS DID HE HAVE? DID HE LOSE CONTRACTS BECAUSE OF IT?

A THE LOSS, I WAS TOLD BY THE SALES MANAGER UP THERE, THAT HE LOST OVER A HUNDRED --

MS. COOK: YOUR HONOR, I OBJECT TO ANYTHING THAT HE WAS TOLD BY ANYBODY ELSE BECAUSE OF HEARSAY.

Q DID MR. VEREEN EVER TELL YOU THAT HE WAS LOSING CONTRACTS?

A HE SAID THAT HE COULDN'T FULFILL CONTRACTS.

Q HOW OFTEN DID YOU MEET WITH HIM? DID YOU MEET WITH HIM FOR MANY, MANY DAYS CONCERNING PUTTING TOGETHER A DEAL WHERE YOU WERE GOING TO WORK TOGETHER?

A ON AND OFF FOR ABOUT TWO OR THREE MONTHS.

Q DID MR. VEREEN... WAS HE AWARE OF YOUR FINANCIAL CIRCUMSTANCES AT THE TIME?

A YES, SIR.

Q WHAT WERE YOUR FINANCIAL CIRCUMSTANCES AT THAT TIME?

A I WAS COMFORTABLE, BUT I DID NOT HAVE A WHOLE LOT OF CAPITAL.

Q DID YOU HAVE CAPITAL THAT YOU COULD PUT INTO THIS COMPANY?

A ABSOLUTELY NOT.

Q WHO WAS TO PUT UP THE CAPITAL?

A MR. VEREEN SAID CAPITAL WAS NOT A PROBLEM. HE COULD PUT UP ALL OF IT. THAT WAS NOT A PROBLEM.

Q ALRIGHT. NOW, TO YOUR KNOWLEDGE, MR. SMITH, DID YOU OWE MR. VEREEN ANY MONEY AT THAT TIME?

A AT THAT TIME, NO.

Q I UNDERSTAND THERE WAS SOME TESTIMONY THAT... WAS THERE EVER ANY DISCUSSION WITH MR. VEREEN THAT THIS CORPORATION WAS CREATED TO PAY HIM BACK SOME KIND OF DEBT THAT YOU OWED HIM?

A NEVER ANY DISCUSSION LIKE THAT WHATSOEVER.

Q TELL ME WHAT YOU INTENDED TO DO OR WHAT WAS THE PLAN AT THE TIME OF INCORPORATION?

A CONTRACTS TO BUILD CONDOMINIUMS, COMMERCIAL BUILDINGS, HOUSES, WHATEVER, AND BASICALLY, I

WOULD RUN THE FIELD. I WOULD DO THE STUFF IN THE FIELD AND HE WOULD DO ALL THE PAPERWORK, THE MONEY WORK, AND JUST TAKE CARE OF THAT PART OF THE BUSINESS.

Q WAS HE PRETTY GOOD AT THAT?

A AT THE TIME THAT WE INCORPORATED I THOUGHT HE WAS.

Q DID HE HAVE AN OFFICE ALREADY IN EXISTENCE?

A YES, SIR. HE HAD AN OFFICE, SHOP, THE WHOLE WORKS.

Q AND AT THAT TIME, WERE YOU WORKING ON JOBS THAT YOU WERE GOING TO PUT INTO THE COMPANY IF YOU GOT THEM?

A YES. I WAS DOING WORK FOR A COUPLE JOBS THAT I HAD TALKED TO PEOPLE ABOUT AND THAT I WOULD DO IF WE GOT THIS COMPANY TOGETHER.

Q WAS MR. VEREEN ALSO WORKING ON OTHER JOBS TOO THAT HE WAS GOING TO PUT INTO THE COMPANY?

A YES, SIR.

Q DID Y'ALL TALK ABOUT THAT?

A YES.

Q WHAT AGREEMENT, IF ANY, DID YOU AND MR. VEREEN HAVE IN OCTOBER OF 2003? THAT WAS THE TIME THAT THE CORPORATION WAS FORMED. WHAT AGREEMENT DID YOU HAVE WITH HIM ON THE COMPLETION OF JOBS THAT

WERE ACTUALLY ONGOING WITH CONSTRUCTION?

A HE HAD JOBS THAT HE WAS STILL DOING AND I HAD JOBS THAT I WAS STILL DOING. I WAS TO COMPLETE MY JOBS AT NO COST TO HIM AND HE WOULD COMPLETE HIS JOBS WITH NO COST TO ME AND NO COST TO A&E.

Q WHAT JOBS WAS HE WORKING ON AT THAT TIME THAT HE HADN'T FINISHED THAT HE DISCLOSED TO YOU?

A SEVEN OAKS, BURROUGHS BROTHERS. HE STILL HAD SOME WORK GOING ON AT LITCHFIELD EXCHANGE DOWN THERE, ODDS AND ENDS.

Q WAS MR. VEREEN ABLE TO CHARGE OR PLEDGE THE CREDIT OF THE COMPANY FOR THOSE JOBS?

A WHAT?

Q WAS HE SUPPOSED TO CHARGE ANYTHING FOR THESE PRE-EXISTING JOBS TO THE COMPANY A&E?

A NO.

Q AND WERE YOU SUPPOSED TO CHARGE ANY EXPENSES TO A&E FOR THESE PRE-EXISTING JOBS?

A NO.

Q AND YOU WERE NOT EXPECTED TO PAY MR. VEREEN ANYTHING ON YOUR PRE-EXISTING JOBS AND HE WASN'T EXPECTED TO PAY YOU ANYTHING FOR THE JOB WHERE HE WAS ACTUALLY PERFORMING CONSTRUCTION ON IN OCTOBER?

A NO.

Q THAT WAS YOUR AGREEMENT?
A YES, SIR.
Q AND YOU WERE GOING TO WIND THOSE AFFAIRS DOWN?
A YES, SIR.
Q WHAT WAS YOUR AGREEMENT OF ANYTHING CONCERNING ANY NEW JOBS TO BE CONSTRUCTED?
A AS SOON AS WE GOT THE CONTRACTORS LICENSE IN PLACE, AND I THINK THAT WAS IN EARLIER JANUARY OR LATE DECEMBER, THAT ANY JOB THAT WE GOT AFTER THAT WOULD BE PERMITTED IN A&E CONSTRUCTION AND IT WOULD BE AN A&E JOB.
Q NOW, MR. VEREEN TESTIFIED, I BELIEVE, THAT SIMILAR TO YOU, THAT ANY NEW JOB WOULD BE PERMITTED AND DONE IN THE NAME OF A&E CONSTRUCTION, IS THAT NOT CORRECT?
A YES, SIR.
Q IS THAT WHAT YOU THOUGHT THAT HE WAS GOING TO DO?
A YES. I THOUGHT HE WAS GOING TO DO THAT BECAUSE HIS LICENSE HAD EXPIRED IN OCTOBER. HE DID NOT HAVE A LICENSE TO DO CONSTRUCTION.
Q BOTH OF YOU GUYS HAVE QUALIFICATIONS FOR A LICENSE, DO YOU NOT, YOU AND MR. VEREEN?
A YES, SIR.
Q ALRIGHT. SO, YOU WERE... THE LICENSE WAS PLACED

IN YOUR NAME FOR A&E?

A MY QUALIFICATIONS WERE USED IN A&E'S LICENSE, YES, THAT'S RIGHT.

Q WHY WAS THAT DONE?

A IT MIGHT HAVE JUST BEEN DORMANT. HE HAD JUST CLOSED UP HIS OTHER... IT MIGHT HAVE BEEN DORMANT SINCE YEARS BEFORE AND JUST EASIER FOR ME TO DO.

Q NOW, DID YOU, IN FACT, PLACE ALL YOUR NEW CONSTRUCTION JOBS THAT WERE PERMITTED IN THE NAME OF A&E?

A ANY CONTRACT THAT I SIGNED AFTER JANUARY THE 1ST, YES, SIR, IT WAS A&E.

Q DID YOU TELL ME THERE WAS TESTIMONY BY MR. VEREEN THAT HE DIDN'T SEE YOU VERY MUCH IN 2004 UNTIL MAY OR JUNE OF 2005? IS THAT CORRECT?

A NO, THAT'S NOT CORRECT.

Q HOW OFTEN DID YOU GO TO THE OFFICE IN 2004 AND 2005?

A AFTER THE JOBS GOT GOING EVERY DAY. I WAS THERE EVERY MORNING.

Q TELL ME WHAT ARRANGEMENT, IF ANYTHING, YOU HAD WITH MR. VEREEN CONCERNING HOW YOU WERE TO CHARGE FOR YOUR SERVICES AND BE PAID IN 2004?

A IN 2004, I ONLY CHARGED WHEN I WORKED DIRECTLY

ON JOB FOR SUPERVISION. I GOT PAID $25.00 AN HOUR AND THAT INCLUDED... SUPERVISOR FEE INCLUDED; ALL MY OVERHEAD, AND EVERYTHING TO BE CHARGED TO THE COMPANY. ANYTHING THAT WE DID ON A PER CONTRACT BASIS LIKE, EES DID, THE FRAMING AT SCOTT LONG'S OFFICE, THE FRAMING AT THE PLANTATION LAKES HOUSE, WE WERE PAID SO MUCH PER SQUARE FOOT. EVERYTHING WAS INCLUDED IN THAT. I DIDN'T GET ANY SUPERVISION FEES OFF THAT. I DIDN'T CHARGE SUPERVISION FEES UNTIL THE END OF JULY. BUT EES WORKED FOR A&E DOING ALL KINDS OF ODD JOBS.

Q EES WAS A COMPANY THAT YOU OWNED?

A I OWNED IT.

Q THAT WAS A SUBCONTRACTOR?

A YES. IT WAS A SUBCONTRACTOR FOR A&E.

Q SO, EES HAD BEEN AROUND FOR A GOOD WHILE?

A QUITE A WHILE.

Q YOU HAD EMPLOYEES THAT WORKED FOR YOU?

A YES, SIR.

Q AND WAS THERE SOME PROBLEM WITH THESE EMPLOYEES GOING TO WORK FOR MR. VEREEN?

A NO. BUT SOME OF THEM JUST DIDN'T WANT TO WORK FOR HIM PERIOD.

Q DID YOU HAVE SOME CREDITORS THAT WOULD GIVE YOU

CREDIT, BUT WOULD NOT GIVE MR. VEREEN CREDIT?

A I HAD SOME SUBS AND SOME SUPPLIERS THAT WOULD NOT GIVE MR. VEREEN... I COULD NOT OPEN AN A&E ACCOUNT BECAUSE MR. VEREEN WAS PART OF IT. SO, I LEFT THE ACCOUNTS IN EES, GRAND STRAND DISPOSAL, COASTAL FASTENERS AND WE JUST CHARGED UP TO EES AND I WOULD SUBMIT THE BILL TO A&E AND THEY WOULD PAY. EES AND I WOULD PAY THE BILL.

Q THIS WAS DISCUSSED WITH YOU AND MR. VEREEN?

A YES, SIR.

Q SO, YOU WERE GOING TO DO WHAT IT TOOK TO GET THE JOB DONE?

A YES, SIR.

Q AND HE WAS GOING TO DO WHAT IT TOOK TO GET THE JOB DONE ALSO?

A THAT'S CORRECT.

Q YOU WERE FINISHING UP YOUR OTHER JOBS FOR EES?

A YES.

Q AND THEN YOU WERE ALSO PERFORMING WORK FOR A&E ONCE CONSTRUCTION STARTED?

A YES, SIR.

Q WHAT AGREEMENT, IF ANY, DID YOU HAVE BETWEEN YOU AND MR. VEREEN AS TO WHEN YOU GUYS WERE GOING TO START BEING PAID FOR YOUR SERVICES?

A MR. VEREEN WENT ON THE PAYROLL IN JUNE OF 2004

AND I WAS DOING SO MUCH SUB WORK, DOING THE FRAMING AND THIS, THAT AND THE OTHER, IT WAS STILL TO OUR ADVANTAGE FOR ME TO STAY IN EES. AND IN MARCH OR APRIL OF 2005, I WENT FULL TIME TO BEING PAID ON SALARY BY A&E AND A SUPERVISION FEES THROUGH EES.

Q IN CALENDAR YEAR 2004, EES CONTINUED TO DO SUBCONTRACTOR WORK FOR A&E?

A YES. STRAIGHT UP UNTIL 2006.

Q TELL ME, WHEN DID A&E FIRST STARTED ITS CONSTRUCTION ITSELF WHERE IT ACTUALLY PERFORMED THE WORK VERSUS SUBCONTRACTING WITH SOMEONE ELSE TO DO LIKE CLEARING? THAT WOULD NOT INVOLVE ACTUAL WORK BY A&E'S ITSELF? DO YOU UNDERSTAND MY QUESTION?

A NO, NOT EXACTLY.

Q OKAY.

A WE USED A MASSIVE AMOUNT OF SUBCONTRACTORS. MOST OF OUR WORK WAS DONE BY SUBCONTRACTORS. EES JUST FILLED A NITCH THAT HAD SOME EMPLOYEES THAT COULD DO JUST ABOUT ANYTHING AND A&E USED THEM TO FULFILL THAT NITCH.

Q NOW, WHEN EES WAS DOING WORK AND YOU SUBMITTED BILLS TO A&E FOR PAYMENT?

A YES, SIR.

Q TELL ME, DID YOU HAVE AN ARRANGEMENT WITH MR. VEREEN AS TO HOW YOU WERE GOING TO DO THAT?
A ALL SUPERVISING CHARGES WERE CHARGED $25.00 PLUS OVERHEAD, WORKMAN'S COMP, LIABILITY, TRUCKS, THE WHOLE THING BECAUSE, SEE, AT THAT TIME HE WAS EMPLOYED WITH EES. AND A&E WAS PAYING EVERYTHING THAT HAD TO DO WITH HIM.
Q WAS THERE A TIME IN EARLY 2004 WHERE EES JUST DID PURE SUBCONTRACT WORK FOR A&E?
A YES. UP UNTIL JULY.
Q AND THAT WOULD BE LIKE A FRAMING JOB?
A FRAMING JOB, DEMOLITION JOB, DIGGING A FOUNDATION, ANYTHING THAT HAD TO BE DONE.
Q WOULD THAT BE A FIXED PRICE TYPE JOB?
A YES.
Q AND WOULD YOU AND MR. VEREEN AGREE EACH AND EVERY TIME WHAT THAT AMOUNT WOULD BE?
A YES, SIR.
Q NOW, ON A PURE SUBCONTRACTOR JOB, WOULD THERE BE ANY OVERHEAD OR EXPENSE THAT WOULD BE PASSED ON?
A ABSOLUTELY NOT.
Q SO, YOU WERE PAYING THAT MONEY OUT EXACTLY WHEN THOSE BILLS CAME IN TO YOU?
A THAT'S CORRECT.
Q AND YOU SAID IN JUNE THAT KIND OF CHANGED WHERE

YOU STARTED DRAWING SOME KIND OF PAYMENT FOR YOUR SERVICES?

A JULY I STARTED DRAWING PAYMENT FOR SUPERVISION.

Q IN JULY, MR. VEREEN WAS RECEIVING A SALARY OF HOW MUCH?

A A THOUSAND DOLLARS A WEEK FROM A&E.

Q AND YOU AGREED TO THAT?

A YES.

Q HOW WERE YOU BEING COMPENSATED FOR THE WORK THAT YOU DID THROUGH EES?

A $25.00 AN HOUR, WHICH WORKS OUT TO A THOUSAND DOLLARS A WEEK ON A 40-HOUR WEEK, BUT I WAS DOING OTHER THINGS, YOU KNOW, SUPERVISION OF SUBS, WHATEVER HAD TO BE DONE.

Q WOULD YOU BILL A&E THOUGH A WRITTEN BILL FOR YOUR TIME AS WELL AS ANY WORKERS THAT WERE WORKING FOR YOU ON AN A&E JOB?

A TO GET ANY KIND OF A CHECK FROM A&E, I HAD TO SUBMIT A BILL AND ANY MATERIAL OR WHATEVER I PURCHASED WAS TO BE REIMBURSED FOR THE BILL. IT HAD TO BE IN THERE. IF THE BILL WASN'T THERE FOR ANYTHING THAT I HAD PURCHASED LIKE, GRAND STRAND DISPOSALS, THE DUMPSTERS OR COASTAL FASTENERS OR MYRTLE BEACH BUILDING SUPPLY OR WHATEVER, IF THE BILL WAS NOT IN THERE, I DID

NOT GET PAID. EVERYTHING THAT I GOT A CHECK FOR WAS DOCUMENTED BY ME AND MR. VEREEN APPROVED IT AND HE WROTE THE CHECK BASED ON THAT APPROVAL.

Q THAT WOULD INCLUDE, YOU HAD SOME WORKERS THAT WERE WORKING ON A&E JOBS THAT WERE PAID BY EES?

A THAT'S CORRECT.

Q AND YOU HAD MATERIAL AND LABOR THAT WAS PAID FOR BY EES THAT YOU WOULD BILL ON THESE WEEKLY REQUESTS FOR PAYMENT?

A YES, SIR.

Q AND YOU GAVE HIM INVOICES? THE SUPERVISOR FEE WOULD INCLUDE... WHAT EXPENSES DID EES HAVE THAT YOU WOULD GET REIMBURSED FOR?

A SUPERVISORY INCLUDED; ALL WORKMANS' COMP, MY TRUCK, THE GAS, TELEPHONES, AND ANY EXPENSE THAT I HAD RUNNING THAT JOB. THE LABOR WAS DONE BY THE HOURLY RATE THAT I PAID MY GUY. ANY OF THEIR MATCHING SOCIAL SECURITY OR WORKMANS' COMP, ANYTHING LIKE THAT, THAT WAS INCLUDED IN THE SUPERVISORY FEE.

Q SO, THE LABOR THAT WAS PAID TO EES, YOU PAID THE WORKERS' COMPENSATION IN EES, IS THAT CORRECT?

A YES.

Q AND MR. VEREEN KNEW THAT?

A YES, SIR.

Q DID YOU DISCUSS THE SPECIFIC MANNER OF BILLING AS TO HOW TO LIST IT ON THE BILL BEFORE YOU WOULD GET PAID? AND I'M SPEAKING REALLY OF THE TERM "SUPERVISORY FEE"?

A YES, SIR. WE DISCUSSED IT AND WE AGREED TO IT. I MEAN, WE DID IT FOR NINE MONTHS AND HE APPROVED EVERYONE AND SIGNED EVERY CHECK. I MEAN, IT WAS DONE EXACTLY LIKE HE WANTED IT DONE.

Q IF YOU SPENT 50% PERCENT OF YOUR TIME WORKING ON AN A&E JOB, HOW MUCH OF YOUR CAR EXPENSES AND PHONE EXPENSE WOULD YOU PUT IN THE SUPERVISORY FEE?

A 50% PERCENT.

Q AND HE KNEW HOW YOU WERE DOING IT?

A YES, SIR. WAS APPROVED, YEAH.

Q DID YOU GO BY THE OFFICE REGULARLY AND DISCUSS WHAT WAS GOING ON AND WHERE YOU WERE WORKING?

A WE BASICALLY DECIDED EVERY MORNING IN THE OFFICE WHAT NEEDED ATTENTION AND WHERE I SHOULD GO AND WHERE HE SHOULD GO OR WHATEVER WE DID.

Q AND HE KNEW WHERE ELSE YOU WERE GOING TO WORK ON TO FINISH THESE OTHER JOBS YOU HAD?

A EVERYTHING.

Q YOU WEREN'T AN ABSENT EMPLOYEE IS WHAT I'M

SAYING? YOU WERE THERE AND YOU KNEW WHAT WAS GOING ON?

A BY ALL MEANS.

Q NOW, YOU SUBMITTED THESE BILLS GENERALLY WEEKLY?

A WEEKLY, BI-WEEKLY, MONTHLY, WHENEVER. IF IT GOT TO THE POINT THAT I DIDN'T HAVE ANY MONEY TO PAY THE ACCOUNTS THAT'S WHEN I SUBMITTED THEM.

Q WHO WOULD YOU GIVE THE BILLS TO?

A I WOULD GIVE THEM TO KERRY. CARRIE WOULD GIVE A WHOLE STACK OF BILLS TO WAYNE AND WAYNE WOULD GO THROUGH THEM AND APPROVE ALL THE BILLS AND RIGHT "OK". SHE WOULD WRITE THE CHECKS. SHE WOULD HAND THE CHECKS BACK TO HIM AND HE WOULD SIGN THEM.

Q DID HE EVER DISAPPROVE A BILL?

A YEAH. THERE WAS SOME THAT I LEFT OUT LIKE GAS TICKETS AND I'VE BEEN TOLD NOW THAT A COUPLE GAS TICKETS IN THERE WERE CHARGED IN GREENVILLE. THAT WAS JUST A MISTAKE, BUT I HAVE LOST GAS TICKETS. IT'S SORT OF HARD TO KEEP UP WITH SOME OF THEM.

Q IF YOU LOST GAS TICKETS, WOULD HE PAY YOU FOR THE GAS?

A THERE WAS NO REASON TO PAY ME BECAUSE I DIDN'T HAVE A BACKUP FOR IT. THAT WAS OUR AGREEMENT

AND I HAD TO HAVE A BACKUP FOR EVERYTHING I GOT CHECKS FOR.

Q SO, ANY CHECK THAT YOU GOT PAYABLE TO EES, YOU SUBMITTED DOCUMENTATION FOR?

A YES, SIR.

Q AND THE DOCUMENTATION HAD TO BE SATISFACTORY TO WHOM?

A MR. VEREEN.

Q WHO SIGNED THE CHECKS WHEN YOU GOT PAID AT EES?

A WAYNE VEREEN.

Q DID YOU HAVE SIGNATURE AUTHORITY ON THE ACCOUNT?

A ABSOLUTELY NOT.

Q HAVE YOU EVER WRITTEN A CHECK AT A&E?

A NO, SIR.

Q SIR, AS THINGS WENT ALONG, DID YOUR SITUATION CONCERNING EES AND A&E CHANGE SOMETIME IN 2005?

A YES. IT GOT TO THE POINT THAT I... SOME OF MY GUYS WENT TO WORK FOR A&E, MY SON, MACK DEAN. WE FINISHED UP A COUPLE OF THINGS AND THERE WAS NO NEED FOR THEM TO WORK FOR EES ANYMORE. WE WERE DOING BASICALLY STUFF LIKE, RANDY LONG WAS STILL WORKING, BUT HE LIKE, DID... HE WAS DOING TRIM WORK FOR US. HE DID SOME FRAMING FOR US, BUT HE WAS DOING ON A CONTRACT AMOUNT LIKE FIFTY CENTS A FOOT TO FRAME... TO TRIM HOUSES OR $3.50

A FOOT TO FRAME A HOUSE. HE WAS PAID THAT AMOUNT. HE GAVE ME A BILL AND ALL I DEDUCTED OUT OF THE BILL HE GAVE ME LIKE, HE WOULD GIVE ME AN BILL FOR SAY, $12,000. ALL THAT CAME OUT OF THAT $12,000 WAS THE WORKMANS' COMP AND LIABILITY AND EES PAID HIM HIS LABOR AND HE WAS WRITTEN A CHECK AND GIVEN A 1099 FOR THAT AMOUNT.

Q AND MR. VEREEN WAS AWARE OF THAT ALSO?

A YES, SIR.

Q AT WHAT POINT IN TIME DID YOU START DRAWING A SALARY CHECK FROM A&E?

A IT WAS EITHER MARCH OR APRIL OF 2005.

Q YOU HAD BEEN IN BUSINESS FOR ABOUT A YEAR?

A NO. WE HAD BEEN IN BUSINESS FOR ABOUT A YEAR AND TWO MONTHS.

Q WHEN DID A&E ACTUALLY START THE PHYSICAL PART OF THE CONSTRUCTION?

A THE FIRST PERMITS WE GOT WERE IN JANUARY. WE GOT ONE FOR DR. LALE, HIS OFFICE. AND I THINK WE GOT ONE FOR THE KEMP JOB DOWN IN MURRELLS INLET. WE STARTED SCOTT LONG'S IN, I THINK --

Q THAT'S ATTORNEY SCOTT LONG?

A YES.

Q YOU BUILT HIS OFFICE?

A YES.
Q OKAY.
A THAT WAS IN MARCH. WE STARTED DEMOLITION ON THE TAHITIAN PRINCESS I AND THE WILLOUGHBY PLACE STARTED IN JUNE OR JULY.
Q '04?
A 2004. WE STARTED BEACH DUNES IN MARCH.
Q WHEN DID YOU BECOME FAIRLY BUSY AND I'M SPEAKING OF A&E IN TERMS OF CONSTRUCTION JOBS IN 2004?
A ABOUT AUGUST.
Q INSOFAR AS THE JOBS THAT YOU... IF WE SAY, "PROCURED" THEY WERE ALL A&E JOBS, IS THAT CORRECT?
A YES, SIR.
Q THE JOBS THAT YOU'RE TALKING ABOUT WERE ALL PERMITTED IN THE NAME OF A&E?
A EVERYTHING AFTER JANUARY 1ST, YES.
Q DID MR. VEREEN EVEN HAVE A LICENSE TO DO NEW CONSTRUCTION FOR THE STATE OF SOUTH CAROLINA IN JANUARY 2004?
A NO, SIR. NOT THAT I'M AWARE OF.
Q WHAT DID YOU THINK, MR. SMITH, MR. VEREEN WAS DOING IN THE CONTRACTS THAT HE PROCURED FOR THE COMPANY?
A THEY WERE A&E CONTRACTS.

Q HAVE YOU FOUND OUT DIFFERENTLY NOW?
A YES.
Q WERE YOU SURPRISED, MR. SMITH, WHEN THE SS CARDIOLOGY OR THE DR. LALE JOB THAT THE CONTRACT WAS IN THE NAME OF ARTHUR VEREEN CONSTRUCTION COMPANY?
A I WAS SORT OF SURPRISED BECAUSE ARTHUR VEREEN DIDN'T HAVE A LICENSE AT THE TIME.
Q ALRIGHT. DID YOU EVER SEE THAT CONTRACT BEFORE THIS LAWSUIT WAS BROUGHT?
A NO, SIR.
Q WERE YOU SURPRISED THAT IT WAS IN THE NAME OF ARTHUR VEREEN CONSTRUCTION?
A YES, SIR.
Q MR. SMITH, WERE YOU AWARE THAT ARTHUR VEREEN CONSTRUCTION COMPANY WAS BILLING DR. LALE AND SS CARDIOLOGY UNDER THE NAME OF THE ARTHUR VEREEN CONSTRUCTION?
A I WAS SURPRISED.
Q WERE YOU SURPRISED WHEN YOU FOUND OUT THAT HE WAS RECEIVING PAYMENT AND WAS NOT PLACING IT INTO THE ACCOUNT?
A I WAS VERY SURPRISED.
Q HE NEVER TOLD YOU HE WAS GOING TO DO THIS, DID HE?

A NO. I HAVE KNOWN WAYNE A LONG TIME AND I ALWAYS THOUGHT HE WAS A STRAIGHT SHOOTER. I WOULD HAVE NEVER THOUGHT THIS.

Q NOW, MS. DREWITT, WERE YOU SURPRISED THAT SHE ASSISTED IN BILLING THESE ACCOUNTS IN THE NAME OF ARTHUR VEREEN CONSTRUCTION COMPANY?

A AFTER IT WAS ALL OVER, SAID AND DONE, I KNOW THAT MS. DREWITT DID EXACTLY WHAT HE WAS TOLD BY MR. VEREEN. IT SURPRISED ME THAT THESE THINGS HAD BEEN BILLED IN ARTHUR VEREEN CONSTRUCTION.

Q WERE THERE OTHER JOBS IN 2004 THAT WERE DONE THE SAME WAY?

A I FOUND ONE MORE, THE KEMP JOB IN MURRELLS INLET WAS A --

Q THE KEMP JOB WAS AN A&E JOB?

A IT WAS AN A&E PERMIT. BETH WENT TO GEORGETOWN AND GOT THE PERMIT. IT STARTED FEBRUARY, MARCH AND IT WAS -- I THOUGHT IT WAS AN A&E JOB. IT HAD AN A&E PERMIT. THE PERMIT WAS ON THE JOB AND IT SAID "A&E" AND THE CONTRACT WE LATER FOUND OUT WAS ARTHUR VEREEN.

Q DID YOU KNOW IT WAS IN THE NAME OF ARTHUR VEREEN CONSTRUCTION COMPANY BEFORE THIS LAWSUIT WAS FILED?

A NO, SIR.

Q WERE YOU SURPRISED?
A VERY.
Q DID YOU LEARN AFTER THIS LAWSUIT WAS FILED THAT THE BILLING WAS DONE IN THE NAME OF ARTHUR VEREEN CONSTRUCTION?
A YES, SIR.
Q DID THAT SURPRISE YOU?
A YES, SIR.
Q DID MR. VEREEN TELL YOU THAT?
A NO, SIR.
Q AT ANY TIME, DID HE TELL YOU THAT?
A NO, SIR.
Q DID YOU LEARN AFTER THIS LAWSUIT WAS FILED THAT PAYMENT WAS RECEIVED AT THE COMPANY AND NOT DEPOSITED INTO THE A&E ACCOUNT?
A YES, SIR. I LEARNED ABOUT THAT.
Q WERE YOU SURPRISED?
A VERY SURPRISED.
Q DID MR. VEREEN ADMIT... WHEN YOU FILED INTERROGATORIES AND SERVED THEM UPON MR. VEREEN, DID HE ADMIT THAT HE HAD TAKEN THESE PAYMENTS FOR SERVICES RENDERED BY A&E? DID HE ADMIT THAT HE PUT THEM INTO HIS OWN ACCOUNT?
A NO.
Q HE DENIED IT, DID HE NOT?

A YES, SIR.
Q THE WILLOUGHBY PLACE JOB, THERE HAS BEEN A LOT OF CONVERSATION ABOUT THE WILLOUGHBY PLACE. HAVE YOU EVER SEEN THE WILLOUGHBY PLACE CONTRACT?
A NO.
Q HAVE YOU ASKED FOR IT?
A QUITE A FEW TIMES.
Q THERE WERE MULTIPLE CONSTRUCTION LOANS ON THAT PROJECT, WERE THERE NOT?
A YES, SIR.
Q YOU WORKED ON ALL THESE PROJECTS IN SOME FASHION, DIDN'T YOU, SIR?
A YES, SIR. ALL OF THEM.
Q HAVE YOU SEEN THE DRAW REQUESTS THAT WERE SUBMITTED BY THE OFFICE FOR THE WILLOUGHBY PLACE JOB?
A YES, SIR.
Q AND WHAT NAME WERE THEY IN?
A ARTHUR VEREEN CONSTRUCTION OR LATER IN TIME, IT WAS A&E CONSTRUCTION OR ARTHUR VEREEN CONSTRUCTION D/B/A A&E CONSTRUCTORS.
Q DID THAT SURPRISE YOU, SIR?
A YES. THERE WAS ONE JOB THAT I WORKED VERY LITTLE ON, THE LALE JOB. I DID LITTLE TO

NOTHING ON THE LALE JOB.

Q ON THE WILLOUGHBY PLACE JOB, YOU WEREN'T AWARE THAT HE WAS INVOICING THE SERVICES IN THE NAME OF A&E?

A I WAS TOTALLY UNAWARE.

Q DID YOU LATER LEARN THAT HE HAD TAKEN SOME OF THOSE DEPOSITS AND NOT PLACED THEM INTO THE A&E ACCOUNT?

A YES, SIR.

Q WERE YOU SURPRISED, SIR?

A IT REALLY SURPRISED ME THAT HE WOULD PUT THEM IN ARTHUR VEREEN. THEY WERE PUT IN ARTHUR VEREEN ACCOUNTS.

Q AND WHEN YOU SENT INTERROGATORIES OVER TO MR. VEREEN, DID HE ADMIT THAT HE HAD DONE THAT?

A NO.

Q HE DID NOT?

A NO, SIR.

Q DID HE EVER TELL YOU THAT, "ELLIS, I SPENT A LOT OF MONEY OF MY MONEY ON WILLOUGHBY PLACE AND I NEED TO BE REIMBURSED."?

A NO.

Q HE NEVER EVEN TOLD YOU THAT HE HAD SPENT ANY MONEY, DID HE, SIR?

A NO.

Q HAD HE GIVEN YOU DOCUMENTATION WHEN YOU WERE MEETING WITH HIM, WOULD YOU THINK IT WOULD BE APPROPRIATE TO REIMBURSE HIM?

A I HAVE RECEIVED NO DOCUMENTATION FOR ANY KIND OF REIMBURSEMENT ON WILLOUGHBY.

Q HE NEVER ASKED YOU FOR REIMBURSEMENT, DID HE, SIR?

A NO, SIR.

Q AND EVEN TODAY AND UNTIL THE LAWSUIT WAS FILED, WAS THIS THE FIRST TIME THAT HE MADE A CLAIM FOR REIMBURSEMENT?

A YES, SIR.

Q NOW, WILLOUGHBY PLACE, WAS THAT A SUCCESSFUL PROJECT?

A YES, SIR.

Q AND YOU WORKED ON IT SUBSTANTIALLY ALSO, DIDN'T YOU?

A FROM BEGINNING TO END.

Q YOU HAD THE FOUNTAINS PROJECT?

A YES, SIR.

Q AND THAT WAS IN 2005?

A YEAH. IT STARTED IN 2005 AND IT WENT TO THE BEGINNING OF 2007.

Q WOULD YOU SAY THAT DURING THE TIME THAT YOU WERE IN BUSINESS FROM 2004 'TIL MID 2007 THAT THE

GENERAL ECONOMIC TIMES WERE GOOD AND THAT Y'ALL ARE VERY BUSY?

A TIMES WE WERE VERY GOOD. WE WERE VERY BUSY.

Q WERE YOU WORKING ALMOST EVERY DAY, MR. SMITH?

A YES. JUST ABOUT EVERY DAY. AT LEAST SIX DAYS A WEEK, SOMETIMES SEVEN DAYS A WEEK. I WAS DOING WHAT HAD TO BE DONE.

Q WOULD YOU MEET EACH MORNING AT THE OFFICE?

A YES. WE WOULD MEET AT THE OFFICE AND DISCUSS WHAT IS GOING ON AND IF I NEEDED HELP, IF HE NEEDED HELP OR WHATEVER.

Q DID MR. VEREEN HELP YOU IF YOU ASKED?

A OH, YES.

Q AND DID YOU HELP HIM IF HE ASKED?

A BY ALL MEANS, SURE.

Q DID YOU THINK YOU HAD A GOOD SUCCESSFUL BUSINESS GOING AT THAT TIME?

A YES. I KNEW WE DID.

Q DID YOU THINK YOU WERE MAKING MONEY?

A I KNEW WE WERE MAKING MONEY.

Q ALRIGHT. NOW, DID YOU EVER HAVE ANY DISCUSSION WITH MR. VEREEN AROUND OCTOBER OR FORWARD CONCERNING WORK THAT THE COMPANY A&E MIGHT BE DOING FOR HIM, SUCH AS THAT POINTE MARSH OR ANY OF THESE OTHER DEALS THAT WE'VE TALKED ABOUT?

A OCTOBER OF WHICH YEAR?

Q OCTOBER OF 2003. DID YOU EVEN DISCUSS THE COMPANY DOING WORK FOR KEMP OR SOME OF HIS FAMILY?

A NEVER DISCUSSED IT.

Q WHEN DID YOU HAVE A DISCUSSION WITH HIM CONCERNING A&E PERFORMING WORK FOR ENTITIES THAT HE CONTROLLED?

A IN MID-SUMMER, I DON'T KNOW THE DATE. I SHOULD SAY ABOUT THE FIRST QUARTER OF 2004. MR. VEREEN STARTED LOOKING AT A PIECE OF PROPERTY ON SEA MOUNTAIN HIGHWAY THAT DR. NIXON OWNED. IT WAS A PUTT-PUTT. IT HAD GO-CART TRACKS BACK BEHIND IT. HE DECIDED THAT HE WAS GOING TO PURCHASE THAT AND HE WAS GOING TO BUILD EITHER CONDOMINIUMS OR HOUSES BEHIND THE PUTT-PUTT AND FACE THE MARSH. IT HAD A BEAUTIFUL VIEW. IT WAS A GREAT PIECE OF PROPERTY. AND HE... WE TALKED ABOUT BASICALLY DEMOING THE GOLF CART TRACKS TO BASICALLY DO IT. AND WE GOT TO TALKING ABOUT THE HOUSES AND HE SAID, "HOW WOULD WE DO IT? WOULD THERE BE A CONTRACT OR WOULD WE DO EVERYTHING COST-PLUS 15% PERCENT?" AND THAT'S ALL THERE WAS TO IT. AND THEN LATER IN 2005, HE DECIDED THAT HIM AND LINDA WERE GOING

TO BUY A HOUSE IN MURRELLS INLET AND THEY WERE GOING TO BUILD THEM A HOUSE DOWN THERE. I TOLD HIM AT THAT TIME, WE DISCUSSED THAT AND I SAID, "WHATEVER IT COSTS, THERE'S AIN'T NO OVERHEAD, NO PROFIT, NO NOTHING, JUST WHATEVER IT COSTS TO BUILD." TRUE COST OF WHATEVER IT IS, THAT'S ALL WE CHARGED FOR HIS HOUSE. AND HE AGREED THAT'S FINE. BUT ANYTHING THAT WE DID FOR HIM WAS COST-PLUS 15% PERCENT. IT WAS NOT... HIS PERSONAL STUFF. ANYTHING THAT HE WAS GOING TO MAKE MONEY OFF OF WAS COST-PLUS 15% PERCENT.

Q DID YOU EVER CONSIDER BEING A PARTNER IN THE POINTE MARSH DEVELOPMENT?

A I'M DIDN'T HAVE THE FINANCIAL BACKING. I DIDN'T HAVE THE MONEY TO DO ANYTHING LIKE THAT. THAT IS SOMETHING THAT TAKES A LOT OF MONEY TO DEVELOP AND IS A VERY EXPENSIVE PROPOSITION. YOU HAVE TO HAVE CASH. I DON'T HAVE IT.

Q HAD YOU ALREADY TAKEN A LICKING BY DOING THAT BEFORE?

A YES.

Q WERE YOU GOING TO DO IT AGAIN?

A NO, SIR.

Q SO, YOUR AGREEMENT WITH MR. VEREEN AS FAR AS THE POINTE MARSH PROJECT, IT WAS SUPPOSED TO BE

COST-PLUS 15% PERCENT?

A THAT'S RIGHT. THAT'S ALL IT WAS, YES.

Q WHAT ABOUT THE... THERE WAS TALK ABOUT THE PARK PLACE PROPERTIES JOB. WHAT DID THAT REFER TO?

A THAT WAS A PUTT-PUTT THAT BASICALLY WE TOTALLY... WELL, WAYNE AND A&E AND WHOEVER ELSE, WHATEVER SUB WE GET, RE-DID THE WHOLE PUTT-PUTT AND I THINK IT WAS CALLED RIVER COUNTRY BEFORE AND THEY CHANGED IT TO BLACK PEARL. WE BUILT AN ENTIRE SHIP IN THERE AND ALL KINDS OF OUTBUILDINGS, FOUNTAINS AND WATERFALL AND STUFF. IT WAS A QUITE NICE LITTLE PUTT-PUTT.

Q THAT WAS OWNED BY PARK PLACE PROPERTIES?

A YES. PARK PLACE PROPERTY, WAYNE, LINDA, THAT'S EXACTLY RIGHT. I THINK PUTT-PUTT IS TOTALLY OWNED BY PARK PLACE PROPERTIES.

Q CORRECT. NOW, PARK PLACE PROPERTIES IS PRINCIPALLY OWNED BY MRS. LINDA VEREEN?

A I THINK THAT'S WHAT WE'VE COME TO FIND OUT, YES.

Q HOW MANY HOUSES WERE BUILT UNDER THE A&E PERMIT AT THE POINTE MARSH PROJECT?

A I THINK THERE WERE 23.

Q 23 HOUSES?

A YES.

Q YOU WERE AWARE THAT A&E WAS PERMITTING THOSE

JOBS?

A OH, YES. WE PERMITTED EVERY JOB UP THERE.

Q RIGHT.

A INCLUDING THE STUFF THAT WAS DONE AT THE BLACK PEARL.

Q THE BLACK PEARL IS THE PUTT-PUTT?

A YES, SIR.

Q SO, THE JOB LEDGER IN YOUR BOOKS WAS CALLED PARK PLACE PROPERTIES?

A I THINK THAT'S RIGHT.

Q AND THE ONE FOR THE HOUSES WAS CALLED?

A POINTE MARSH.

Q POINTE MARSH?

A YES.

Q NOW, SIR, THE BOOKKEEPING OF THE COMPANY, DID YOU HAVE ANYTHING TO DO WITH THE BOOKKEEPING FUNCTIONS AT THE COMPANY WHEN YOU WERE THERE?

A NO.

Q YOU DID NOT?

A NO.

Q WHAT ABOUT ON THE JOBS WHERE YOU WHERE PRINCIPALLY RESPONSIBLE FOR THE JOBS, DID YOU MAKE SURE THOSE CUSTOMERS WERE INVOICED FOR THOSE SERVICES?

A TAHITIAN PRINCESS, TAHITIAN PEARL, SEACLUSION,

THE FOUNTAINS, I BASICALLY PUT TOGETHER ALL OF THE DRAW REQUESTS, ALL THE DEMOLITION JOBS. I PUT TOGETHER ALL THE BILLING FOR THAT AND I MADE SURE THAT THEY WERE BILLED IN A TIMELY MANNER TO MAKE SURE THAT WE GOT OUR MONEY AND SOMEBODY DIDN'T GET WAY AHEAD OF US BECAUSE WHEN YOU GET WAY AHEAD, THAT'S WHEN PROBLEMS START.

Q MR. SMITH, AS FAR AS A&E WAS CONCERNED WHEN YOU DID NEW CONSTRUCTION, HOW IMPORTANT WAS IT FOR YOU, AS PRESIDENT OF A&E, TO MAKE SURE THAT THE CUSTOMER COULD PAY YOU FOR THE SERVICES?

A WE MADE SURE THERE WAS A CONSTRUCTION LOAN IN PLACE BEFORE WE DID CONSTRUCTION. IF IT WAS LIKE A SMALL JOB LIKE, GO PLACE SOME WINDOWS OR SOME DOORS OR PUT SOME GARAGE DOORS UP OR BUILD A LITTLE SMALL GARAGE, THAT WOULDN'T TAKE A CONSTRUCTION LOAN. WE MADE SURE THEY HAD A COMMITMENT LETTER TO FINANCE BEFORE WE STARTED LARGE PROJECTS.

Q TAKING AWAY MR. VEREEN'S, THE JOBS THAT YOU DID FOR HIM, DID ALMOST ON EVERY OCCASION, DID THE COMPANY HAVE A WRITTEN CONTRACT WITH THE CUSTOMER?

A ONLY THING I CAN THINK OF IS THAT THERE WERE TWO THAT WE DID NOT HAVE WRITTEN CONTRACTS WITH. I

THINK I DID HAVE A WRITTEN CONTRACT WITH SCOTT LONG, BUT PRETTY SURE SCOTT COUGHED UP 10% PERCENT. AND THEN MARTIN BROWN, WHO WE WERE DOING THE TAHITIAN PRINCESS FOR I AND II, AND TAHITIAN PEARL AND SEACLUSIONS, WE DID HIS HOUSE AT COST-PLUS 10% PERCENT. IT WAS AN ADDITION ON HIS HOUSE. HE HAD TO HAVE A CONTRACTOR THE WAY IT WAS. SO, I WENT AND GOT A PERMIT FOR HIM AND I BASICALLY SOFTENED UP AND CHARGED HIM COST-PLUS 10% PERCENT OF WHAT WE DID.

Q SO, ON ANY JOB OF ANY SUBSTANTIAL SIZE, YOU WOULD HAVE AN AIA CONTRACT TYPICALLY?

A YES, SIR.

Q OR SOMETHING SIMILAR?

A SOMETHING SIMILAR.

Q AND YOU WOULD PROVIDE FOR A CONSTRUCTION LOAN AND DRAW REQUESTS?

A THEY WOULD HAVE TO SHOW US THAT THEY HAD A CONSTRUCTION LOAN. A LETTER SHOWING THAT THEY HAD SECURED FINANCING.

Q I GOT'CHA. ON THESE JOBS WHERE THERE WAS FINANCING, WHAT DID THE COMPANY HAVE TO SUBMIT TO THE CUSTOMER AND THE BANK TO RECEIVE A DRAW REQUEST?

A MONTHLY YOU HAD TO HAVE AN AIA SCHEDULE OF

VALUES FILLED OUT AT WHATEVER PERCENTAGE OF THE CONSTRUCTION CONTRACT HAD BEEN DONE THAT MONTH AND PRESENTED TO THEM, WHICH WAS PRESENTED TO THE BANK AND THE BANK WOULD RELEASE THE FUNDS DIRECTLY TO US OR THEY WOULD SIGN A JOINT CHECK TO US AND THEM AND THEY WOULD WRITE US A CHECK FOR WHATEVER WE HAD DONE THAT MONTH.

Q THE DRAW REQUESTS WOULD BE THE SAME THING AS A BILL TO THE CUSTOMER PAID BY THE BANK?

A IT IS A BILL FOR THE CUSTOMER.

Q AND YOU MADE THOSE? THAT WAS SOMETHING THAT YOU WOULD REGULARLY DO?

A ONCE A MONTH, YES.

Q MR. SMITH, HOW IMPORTANT IS IT FOR THE COMPANY TO SUBMIT THIS DRAW REQUEST OR THIS BILL FOR PAYMENT ON A REGULAR BASIS TO THE COMPANY?

A IN THE DEVELOPMENT BUSINESS WHEN TIMES GET HARD YOU CAN GET STUCK PRETTY QUICK AND YOU NEED TO STAY CAUGHT UP WITH WHATEVER MONEY IS OWED TO YOU EACH MONTH. YOU DON'T WANT TO LET SOMEBODY GET TWO MONTHS AHEAD OF YOU BECAUSE IT COULD HURT YOU PRETTY BAD. SO, YOU BILL EVERY MONTH AND THEY GET IT BY THE 25TH AND THEY PAY IT BY THE 10TH AND IF YOU DON'T HAVE A CHECK ON THE 10TH, THERE'S NOBODY ON THE JOB UNTIL YOU GET

YOUR MONEY.

Q THIS IS THE WAY THAT YOU HAD ALWAYS DONE BUSINESS?

A YES.

Q IS THIS THE WAY A&E WAS SUPPOSED TO DO ITS BUSINESS?

A I ASSUME SO, YES.

Q EXCEPT FOR MR. VEREEN'S PROJECT, IS THIS THE WAY YOU ACTUALLY DID BUSINESS WITH A&E?

A WELL, MR. VEREEN... HE INVOICED WILLOUGHBY PLACE. HE DID ALL THE BILLING TO WILLOUGHBY PLACE. I DID NONE OF THAT. AND HE WOULD SUBMIT AIA DRAW REQUESTS TO THEM. AS FAR AS POINTE MARSH, I NEVER SAW A BILL OF ANY KIND. I NEVER SAW A DRAW REQUEST OF ANY KIND. I NEVER SAW AN AIA CONTRACT OF ANY KIND. BLACK PEARL, NO. ANYTHING THAT WE DID THAT WAS ASSOCIATED WITH HIM DIRECTLY OR SOMEBODY THAT WAS KIN TO HIM, THERE WAS NO CONTRACTS. THERE WAS NO BILLING. NOBODY WAS GIVEN A MONTHLY BILL.

Q DID YOU KNOW THAT, THAT WAS GOING ON?

A NO.

Q DID IT SURPRISE YOU?

A I THOUGHT WE HAD PLENTY OF MONEY. I THOUGHT HE WAS PAYING HIS BILLS. I DID NOT KNOW.

Q DID YOU THINK THAT A&E WAS FINANCING MR. VEREEN AND HIS FAMILY'S BUSINESS WITH THEIR CONSTRUCTION?

A ABSOLUTELY NOT.

Q HAVE YOU, AS PRESIDENT OF A&E, EVER AGREED TO FINANCE SOMEONE'S CONSTRUCTION OUT OF YOUR CHECKBOOK?

A NO.

Q DID THAT IN FACT HAPPEN?

A YES, SIR.

Q AND WHO DID IT HAPPEN WITH?

A MR. VEREEN, ONE OF THE PARTNERS OF THE COMPANY AND FAMILY MEMBERS AND COMPANIES THAT WERE OWNED BY HIM AND FAMILY MEMBERS.

Q DID YOU EVER AGREE TO DO THAT?

A NO, SIR.

Q WHEN DID YOU FIND OUT THAT, THAT HAD HAPPENED?

A IN AUGUST OF 2006. WE HAD TO GET THE TAXES DONE FOR 2004. WE HAD EXTENSIONS FILED. WE HAD MORE EXTENSIONS FILED AND IN 2006 WE TOOK A FLOPPY DISK AND SOME BACKUP STUFF TO MS. BRADY TO DO THE TAXES.

Q TAXES FOR A&E?

A TAXES FOR A&E FOR 2004. SHE CALLED BACK AND SAID, "ELLIS, WE GOT SOME PROBLEMS. THERE IS

SOME STUFF THAT NEEDS TO BE EXPLAINED." IT WAS ABOUT VEHICLES. IT WAS ABOUT PAYMENT FOR PRIVATE AIRPLANES. IT WAS ABOUT INTEREST PAYMENTS THAT WERE PAID TO FIRST PALMETTO THAT WERE INTEREST PAYMENTS FOR POINTE MARSH. "WHY WERE WE PAYING THIS? WHY WAS IT NOT PUT BACK IN?" THERE WAS ALL KINDS OF QUESTIONS THAT SHE HAD. I WENT AND GOT THE STUFF --

Q SHE GAVE YOU WRITTEN QUESTIONS?

A SHE GAVE ME WRITTEN QUESTIONS. I BROUGHT THEM BACK TO THE OFFICE, GAVE THEM TO KERRY. WAYNE WAS NOT ANSWERING. "WHEN WAYNE GETS BACK IN HERE, GIVE HIM THAT BECAUSE THOSE NEED TO BE ANSWERED SO WE CAN GET OUT 2004 TAXES." HE CAME BACK AND FINAGLED AROUND AND HAD SOME THINGS AND SAID THAT THE PRIVATE PLANE STUFF WAS PART OF THE COMPANY EXPENSE. THE INTEREST PAYMENTS THAT HE WAS PAYING TO POINTE MARSH WERE COMPANY EXPENSES. HE EXPLAINED AWAY ALL OF IT, BUT THE TRUCK PAYMENTS AND HE SAID, "WE COULD DO IT ONE WAY; WE COULD EITHER RENT THE TRUCKS FROM HIM OR BUY THE TRUCKS FROM HIM," BUT WE NEVER HAD DISCUSSED ANYTHING ABOUT TRUCKS OR EQUIPMENT, ANYTHING AND THIS WAS TWO AND A HALF YEARS INTO THE COMPANY. AND HE NEVER WOULD ANSWER TO

SUSAN'S LIKINGS WHAT... HE WOULD NEVER GIVE HER AN ANSWER. SHE JUST SAID, "YOU CAN'T DO THIS." AND THAT'S WHEN SHE SAID, "I'M OUT OF HERE, ELLIS. I'M NOT DOING THESE TAX RETURNS. THERE'S TOO MUCH STUFF GOING ON." AND THAT WAS ABOUT RIGHT BEFORE CHRISTMAS AND I WENT TO WAYNE AND SAID, "WAYNE THERE'S A BUNCH OF MONEY BUILDING UP IN THE ACCOUNT. LET'S SIT DOWN AND..."

Q DID YOU KNOW IT WAS IN THERE OR YOU THOUGHT IT WAS IN THERE?

A I DIDN'T HAVE ANY DOUBT IT WAS IN THERE. I KNEW IT WAS IN THERE. IN MY HEAD. I MEAN, I DIDN'T HAVE PROOF IT WAS IN THERE BECAUSE I COULD NOT CALL THE BANK AND SAY, "WHAT'S THE BALANCE OF THIS ACCOUNT?" THEY WOULDN'T TELL ME. I WASN'T ON THE ACCOUNT. SO, WHEN I CAME, HE SAID, "WELL, I'LL GET IT ALL TOGETHER AND WE'LL SIT DOWN AND DO IT." AND ABOUT TWO WEEKS LATER HE CAME BACK AND SAID, "ELLIS THERE'S NOT ANY MONEY IN THE ACCOUNT. IT TAKES A HELL OF A LOT OF MONEY TO RUN THIS COMPANY. THERE'S NOTHING THERE. WE DON'T HAVE IT." AT THAT POINT IN TIME, I KNEW THERE WAS SOMETHING WRONG. SO, I STARTED COPYING IN JANUARY OF 2007. I STARTED

COPYING EVERYTHING I COULD GET OUT OF THE OFFICE, ALL THE BANK STATEMENTS FOR A&E, PARK PLACE PROPERTIES, ANYTHING THAT I COULD FIND. I GOT A COPY OF THE GENERAL LEDGER. KERRY, THE SECRETARY, MADE BACKUP DISK FOR THE COMPUTER ONCE A MONTH. THEY WERE IN THE SAFE. I TOOK THE LAST ONES THAT SHE HAD MADE, WHICH WAS IN MARCH OF 2007 AND I STARTED GOING THROUGH... SITTING AT NIGHT, GOING THROUGH THE GENERAL LEDGER. I HAD WATCHED CARRIE ENOUGH THAT I COULD FIGURE OUT HOW TO PRINT ME A GENERAL LEDGER. SO, I WENT TO WORK AND AFTER WORK WHEN EVERYBODY WAS GONE, I PRINTED THE GENERAL LEDGERS TO EACH JOB ONE AT A TIME UNTIL I HAD THEM ALL. AND OVER THE NEXT SIX MONTHS I STARTED FIGURING OUT WHAT WAS WRONG.

Q WHAT ELSE IS ON THERE, SIR?

A I BEG YOUR PARDON?

Q DID ANYTHING ELSE IN THE EARLY PART OF 2007 ALERT TO YOU OR SCARE YOU --

A AT THE END OF 2006, BEGINNING OF 2007, TO START OFF WITH, WAYNE WAS REALLY HAVING SOME SERIOUS PROBLEMS UP AT POINTE MARSH. THE HOUSES WERE EXPENSIVE, 550,000 OR WHATEVER.

Q WHO WAS SELLING THEM THEN?

A MARTIN BROWN AT THAT TIME WAS SELLING THEM. WE WERE DOING A PROJECT FOR THE PEOPLE WHO OWNED CONDOLUX REAL ESTATE OFFICE. AND I THINK HE SOLD TWO OF THEM, MAYBE THREE. I DON'T REMEMBER. AND WAYNE'S SISTER BOUGHT ONE AND WAYNE BOUGHT ONE AND THERE WERE A FEW OF HIS FAMILY MEMBERS THAT BOUGHT THEM. AND MARTIN BASICALLY COULDN'T SELL THEM. THEY JUST WOULD NOT SELL AND WAYNE SOMEHOW MESSED WITH THIS OTHER GUY.

Q WHAT WAS HIS NAME?

A GREEN, MIKE GREEN.

Q DUNES INVESTMENTS?

A YES. DUNES INVESTMENTS. HE AGREED TO SELL THEM FOR WAYNE AND, BUDDY, HE SOLD THEM VERY TIMELY AND VERY GOOD. HE DID VERY WELL SELLING THEM.

Q DID YOU HAVE ANYTHING TO DO WITH THE SALES OF THOSE HOUSES AT POINTE MARSH?

A I HAD VERY LITTLE TO DO WITH POINTE MARSH PERIOD, WHETHER IT BE THE SALES OR ANYTHING. THE ONLY TIME BASICALLY I WENT UP THERE IS IF THEY NEEDED HELP DOING SOMETHING OR THERE WAS SOMETHING THAT NEEDED TO BE FIGURED OUT LIKE, IF WAYNE WENT ON VACATION FOR A WEEK OR TWO WEEKS OR THREE WEEKS, WHATEVER, I WOULD GO BY AND

CHECK ON IT TO MAKE SURE THINGS RAN SMOOTHLY. THAT'S ALL I DID. I DIDN'T DO A WHOLE LOT. NOW, EES CONSTRUCTION DID A LOT OF SUB WORK UP THERE. RANDY LONG WAS DOING THE TRIM AND DOING LATTICED PANELS AND THERE WAS A LOT OF WORK DONE UP THERE.

Q DID YOU EARN ANY MONEY OUT OF THAT?

A OUT OF POINTE MARSH? NO.

Q NO. WHEN EES DID SUB WORK, WERE YOU EARNING ANY MONEY?

A NOT ON SUB WORK, NO. WHEN IT CAME TO THE POINT WHERE THERE WAS SUBCONTRACT WORK LIKE RANDY WAS DOING THE TRIM FOR FIFTY CENTS A FOOT, I GOT NONE OF IT. THE ONLY THING I SAID THAT CAME OUT OF RANDY'S CHECK WAS THE WORKERS' COMP, LIABILITY. EVERYTHING WAS GIVEN TO HIM ON A 1099. BUT I NEVER... MIKE GREEN, ALL OF A SUDDEN, THEY STARTED SELLING AND THEY STARTED BUILDING LIKE CRAZY. TOWARD THE END OF 2006 RIGHT THERE AT 2007, I HEARD THAT SCOTT LONG WAS NOT CLOSING ANY... SCOTT WAS CLOSING ALL OF THE POINTE MARSH AND ANYTHING THAT WAYNE DID SCOTT WAS --

Q NOW, THE COMPANY BILLED MR. LONG'S OFFICE, DIDN'T THEY?

A YES.
Q THEY WERE DOING A LOT OF THE CLOSINGS FOR YOU?
A THEY WERE DOING ANYTHING THAT WE COULD SEND THEM. I ALWAYS SENT SCOTT STUFF, ANYTHING THAT I COULD, BUT WAYNE HAD CONTRACTS WITH SCOTT AND HE WAS DOING A LOT OF THE REAL ESTATE CLOSINGS FOR POINTE MARSH AND THEN ALL OF A SUDDEN HE WASN'T AND I WENT TO SCOTT'S OFFICE AND SCOTT SAID, "WHAT THE HELL IS GOING ON?"

MS. COOK: OKAY. I OBJECT TO ANYTHING THAT IS HEARSAY.

MR. DURANT: YOUR HONOR, I WANT TO SHOW WHAT MR. LONG SAID, NOT FOR THE TRUTH OF THE MATTER, BUT FOR WHAT HE DID AS A RESULT OF THE CONVERSATION.

Q MR. SMITH, DID MR. LONG TELL YOU WHY HE QUIT --

MS. COOK: YOUR HONOR, I'M GOING TO OBJECT. HE CAN ASK HIM AFTER A CONVERSATION WITH MR. LONG, WHAT DID HE DO, BUT ANYTHING OTHER THAN THAT WOULD BE HEARSAY.

MR. DURANT: MAY I SUBMIT FOR THE TRUTH OF THE MATTER PLEASE?

JUDGE HOWE: I WILL ALLOW IT.

Q WHAT DID MR. LONG TELL YOU?

A MR. LONG SAID THAT HE HAD TO GIVE ALL THE CLOSING PACKAGES BACK TO MR. VEREEN AND ANYTHING TO DO WITH MIKE GREEN BECAUSE A PURCHASER OF ONE OF THE HOUSES UP THERE HAD CALLED HIM A COUPLE DAYS AFTER THE CLOSING AND WAS RAISING CAIN THAT SHE HAD NOT GOT HER CHECK BACK FROM THE CLOSING. AND SCOTT SAID, "YOU DIDN'T HAVE A CHECK. YOU BROUGHT X NUMBER OF DOLLARS TO THE CLOSING." SHE SAID, "I WAS SUPPOSED TO GET A CHECK BACK FROM THE DEVELOPER."

Q WHAT DID MR. LONG TELL YOU THAT HE DID AS A RESULT OF THOSE PHONE CONVERSATIONS?

A HE GOT RID OF ALL OF THEM.

Q HE GOT RID OF ALL THE --

A ALL THE CLOSINGS. ANYTHING TO DO WITH CLOSINGS, ANYTHING WITH MIKE GREEN OR ANYTHING TO DO WITH WAYNE VEREEN. HE SENT THEM BACK TO WHERE THEY CAME FROM. HE WOULD NOT DO THEM ANYMORE.

Q DID YOU LATER ON IN 2007 HAVE A CONVERSATION WITH MR. VEREEN CONCERNING WHAT WAS GOING ON AT POINTE MARSH?

A REFERRING TO MIKE GREEN AND --

Q YES.

A I TOLD HIM WHAT I KNEW AND HE SAID, "ELLIS, IT'S NO BIG DEAL. I'M JUST SMALL POTATOES. I'M NOT

DOING ANYTHING. I'M JUST GIVING PURCHASERS BACK MONEY HERE" WHATEVER, TO MAKE THINGS SELL AND GIVE... HE SAID HE WASN'T DOING ANYTHING WRONG. I KNEW HE WAS DOING WRONG WHEN YOU CAN'T GIVE... BECAUSE I HAD THE CHECKBOOKS.

Q DID YOU EVER TELL MR. VEREEN, "THIS IS WRONG."?

A YES.

Q AND THIS IS ILLEGAL?

A I TOLD HIM IT WAS WRONG.

Q AND WHAT DID MR. VEREEN SAY?

A "I'M SMALL POTATOES. THEY WILL NEVER DO ANYTHING TO ME."

Q NEVER CATCH HIM?

A THEY WILL NEVER CATCH HIM. THEY WOULD NEVER DO ANYTHING TO HIM.

Q DID YOU ACTUALLY HAVE ACCESS TO SOME OF THESE RECORDS AT THAT TIME?

A YES.

Q WHAT WAS HE DOING IN THE CHECKBOOK THAT YOU SAW?

A AFTER THE LOANS HAD CLOSED AND THEY HAD BEEN FUNDED AND THE MONEY WENT INTO PARK PLACE PROPERTIES, HE WAS WRITING A CHECK BACK TO DUNES INVESTMENT AND THE PURCHASERS OF THOSE HOUSES.

Q WERE THESE SUBSTANTIAL CHECKS?

A TENS OF THOUSANDS OF DOLLARS. HUNDREDS OF

THOUSANDS OF DOLLARS.

Q SOME AS LARGE AS A $80,000 OR $90,000?

A YES, SIR.

Q I BELIEVE SOME OF THESE HAVE BEEN ADMITTED INTO EVIDENCE. DID HIS DAUGHTER WRITE TWO OF THOSE CHECKS?

A TWO OF THEM.

Q YOU HAVE NO KNOWLEDGE OF WHY SHE DID IT OR WHY MR. VEREEN DID IT OTHER THAN WHAT HE TOLD YOU?

A NO. I THINK SHE WAS TOLD TO DO IT.

Q NOW, MR. SMITH, DID THIS UPSET YOU?

A IT DID. I HAVE BEEN WATCHING IN THE NEWSPAPER OF WHAT WAS GOING ON WITH THE MORTGAGE FRAUD. IT SCARED THE LIFE OUT OF ME. I DIDN'T WANT ANYTHING TO DO WITH IT. I HAD BUILT THE HOUSES MY NAME WAS ASSOCIATED WITH, A&E WAS ASSOCIATED, EVERYBODY IN THE BUILDING DEPARTMENT, EVERYBODY IN NORTH MYRTLE BEACH, KNEW... BECAUSE I BUILT 90% PERCENT OF MY STUFF IN NORTH MYRTLE BEACH. THEY KNEW ELLIS SMITH WAS A&E. AND I DIDN'T WANT ANY PART OF IT. I WANTED TO GET AWAY FROM IT AS FAST AS I COULD, AS FAR AS I COULD.

Q DID IT SCARE YOU?

A YES. I DIDN'T WANT TO GO TO JAIL.

Q IT SCARED YOU BECAUSE YOU DIDN'T WANT TO BE

INDICTED OR CHARGED WITH DOING SOMETHING WRONG?

A I DIDN'T WANT TO BE QUESTIONED BY ANYBODY ABOUT IT. MUCH LESS, I DIDN'T WANT ANYTHING TO DO WITH IT.

Q NOW, AT THAT TIME, WE ARE IN THE SECOND QUARTER OF 2007. IS YOUR BUSINESS SLOWING DOWN A LITTLE BIT AT A&E?

A IT'S SLOWING DOWN DRASTICALLY.

Q DID YOU HAVE A COUPLE OF JOBS THAT YOU WANTED TO DO?

A ONE OF THEM WAS MARTIN BROWN'S OFFICE IN NORTH MYRTLE BEACH. WE GOT THOSE PLANS IN LIKE JANUARY OF 2007.

Q SO, A&E HAD DONE WORK FOR MR. BROWN BEFORE?

A YES.

Q AND HE WAS ACTUALLY SELLING PARK PLACE PROPERTIES CONDOS OR TRYING TO?

A NO. AT THAT TIME HE WAS NOT.

Q BUT HE WAS EARLIER?

A HE WAS APPROXIMATELY A YEAR EARLIER, YES.

Q AND DID YOU THINK THAT YOU COULD MAKE MONEY ON THAT JOB?

A I THOUGHT I COULD.

Q WHAT ABOUT MR. VEREEN?

A HE DIDN'T THINK WE COULD. HE DIDN'T THINK...

IT WAS GOING TO BE A BID JOB AND HE THOUGHT IF WE HAD TO BID IT, THERE WAS NO WAY WE COULD MAKE MONEY BECAUSE BALDWIN CONSTRUCTION WAS BIDDING US, STURGEONBECKER WAS BIDDING IT AND THEY LOWBALLED THINGS AND KICKED STUFF UP AT THE END WITH CHANGE ORDERS. HE SAID IT'S JUST NOT WORTH FIXING SO.

Q HE DIDN'T WANT TO DO THE JOB?

A NO.

Q WHAT LED YOU TO... THERE HAS BEEN TESTIMONY HERE THAT YOU JUST WALKED OUT ONE DAY AND NEVER CAME BACK, IS THAT WHAT HAPPENED?

A NO, SIR.

Q WHAT HAPPENED?

A IN ABOUT MARCH MARTIN BROWN CALLED ME AND SAID, "ELLIS, WHAT CAN YOU DO FOR ME? YOU KNOW, I BID THIS JOB. THESE PRICES ARE RIDICULOUSLY HIGH." I SAID, "GIVE ME A SET OF PLANS AND I WILL LOOK AT IT." SO, I GOT A SET OF THE PLANS BACK AND SAID, "MARTIN, YOU'VE GOT TO REDESIGN SOME STUFF." SO, WE REDESIGNED IT AND CUT A HALF A MILLION DOLLARS OUT OF IT. AND HE SAID, "ALRIGHT. CAN YOU BUILD IT?" AND I SAID, "YEAH." HE SAID, "ARE YOU GOING TO BUILD IT WITH A&E?" AND I SAID, "WELL, WAYNE DON'T WANT

ANYTHING TO DO WITH IT." SO, WE FORMED A CORPORATION E SMITH AND SONS CONSTRUCTION AND I SIGNED THE CONTRACT WITH HIM TO BUILD IT.

Q THEN WHEN DID YOU LEAVE A&E?

A TECHNICALLY, I LEFT AT THE END OF 2007, ABOUT MID-WAY THROUGH SEPTEMBER. I NEVER WENT BACK TO THE OFFICE AGAIN. BUT I HAD GIVEN WAYNE SOME... I HAD FOUND OUT ALL OF THESE THINGS AND DISCREPANCIES AND I HAD GIVEN HIM A DEMAND LETTER OF WHAT I WANTED OUT OF A&E. I WANTED TOTALLY AWAY FROM IT. HE COULD DO WHAT HE WANTED TO WITH IT. PAY ME THE MONEY THAT I WAS OWED AND I GAVE HIM A VERY DISCOUNTED RATE.

Q AT THAT TIME, WERE YOU AWARE THAT HE HAD MISAPPROPRIATED SOME FUNDS FROM THE COMPANY, IN YOUR OPINION?

A OH, AT THAT POINT IN TIME, I KNEW HE HAD. I HAD PROOF OF IT.

Q AND YOU HAD CONFRONTED HIM WITH IT?

A I HAVE CONFRONTED HIM WITH IT. I GAVE HIM A DEMAND LETTER OF WHAT TO DO AND HE CAME TO THE JOB AND SAID THAT I DEMANDED ALL THIS OTHER STUFF AND IT WAS NOT TRUE. I ONLY DEMANDED WHAT WAS MINE. HE SENT ME BACK ANOTHER LETTER AND SAID THAT I OWED HIM $1.5 MILLION IS WHAT IT

BOILED DOWN TO. AND I TOOK HIS NUMBERS THAT HE DID AND TOOK OUT ALL THE SUBTRACTS THAT HE PUT IN AND SENT HIM BACK ANOTHER. ONE HE OWED ME $800 AND SOMETHING THOUSAND DOLLARS. AND THAT WAS BEFORE I CONTACTED SUSAN AND THEN SUSAN STARTED GETTING INTO THIS STUFF AND FINDING OUT WHAT WAS MISSING.

Q ALRIGHT. NOW, LET'S STAY FOCUSED HERE. DID YOU HAVE A MEETING WITH MR. VEREEN ABOUT THAT YOU WERE LEAVING THE COMPANY?

A HE KNEW. I HATE TO SAY, I CAN'T SAY THAT. I TOLD HIM THAT I WAS LEAVING THE COMPANY. I GAVE HIM A LETTER SAYING, "I WANT OUT." THIS, THAT AND THE OTHER. AS FAR AS SITTING DOWN FOR A MEETING, NO.

Q WAS THERE ANY AGREEMENT THAT HE HAD WITH YOU TO PAY YOU FOR 14 WEEKS OF VACATION TIME?

A I HAD 14 WEEKS OF VACATION. IN THE FOUR AND A HALF YEARS THAT WE HAD THE COMPANY, I NEVER WENT ON VACATION. HE HAD TAKEN A BUNCH OF VACATIONS. I MEAN, HE HAD A HOUSE IN THE BAHAMAS. I UNDERSTOOD THAT WHEN WE STARTED THE COMPANY AND I DIDN'T HAVE A PROBLEM WITH IT. HE LEFT AND HE BASICALLY OWED ME 14... HE AGREED TO PAY ME 14 WEEKS OF VACATION. SO, IT STARTED MID-SEPTEMBER

AND I DIDN'T GO BACK. I MEAN, WHEN HE WENT TO THE BAHAMAS, HE DIDN'T COME TO THE OFFICE ON VACATION. HE WAS ON VACATION 14 WEEKS OF IT. AND I WENT AND DID ANOTHER JOB.

Q MR. VEREEN... YOU GOT A CHECK EACH WEEK?

A YES.

Q WHO SIGNED THE CHECKS?

A MR. VEREEN, WAYNE VEREEN.

Q HE KNEW YOU WERE ON VACATION?

A YES. BY ALL MEANS. HE AGREED TO IT. I HAD 14 WEEKS.

Q NOW, THAT'S THE SKINNY AS TO HOW YOU MET AND WHAT YOU DID. TELL ME, SIR, DID YOU ENGAGE MS. BRADY?

A RIGHT.

Q YOU HAD A LOT OF THOSE RECORDS ALREADY, DIDN'T YOU, SIR?

A YES, SIR.

Q YOU HAVE EVIDENCE OF SOME THINGS THAT YOU HAD AT THAT TIME WHEN YOU LEFT? YOU ALREADY HAD SOME OF THOSE RECORDS IN YOUR POSSESSION, DID YOU NOT, SIR?

A YES, SIR.

Q YOU TRIED TO RESOLVE IT WITH THEM?

A YES, SIR.

Q AND YOU WERE AWARE THAT YOU HAD TO MAKE THAT DEMAND UPON HIM BEFORE YOU COULD BRING A SUIT AGAINST HIM?
A THAT IS CORRECT. I MADE TWO DEMANDS.
Q YOU MADE THOSE DEMANDS, DID YOU NOT, SIR?
A YES, SIR.
Q NOW, YOUR CLIENT HERE TODAY IS ON BEHALF OF THE COMPANY ITSELF, ISN'T THAT CORRECT?
A YES.
Q AND IT'S CALLED A DERIVATIVE ACTION. DO YOU UNDERSTAND WHAT THAT IS?
A YES, SIR.
Q AND YOU'RE ASKING THE COURT TO MAKE HIM PAY ANY MONEY THAT HE DIVERTED FROM THIS COMPANY BACK INTO THE COMPANY?
A YES, SIR.
Q THE COMPANY HAS BILLS TO PAY, DOESN'T IT, SIR?
A YES, SIR.
Q IT HAS SOME SUBS THAT ARE OWNED, DOES IT NOT?
A YES, SIR.
Q YOU HAVE ACCOUNTING AND LEGAL BILLS?
A YES, SIR.
Q YOU WANT THAT MONEY TO GO INTO THE COMPANY, DO YOU NOT, SIR?
A YES, SIR.

Q LET'S GO BACK THROUGH WHAT HAPPENED, MR. SMITH, ON ANY JOB THAT WAS PERFORMED WITH AN A&E LICENSE THAT YOU HAD AN ACTIVE JOB ACCOUNT ON YOUR PEACHTREE SYSTEM. HAVE YOU EVER TAKEN ANY OF THOSE FUNDS AND PUT IT IN ANY ACCOUNT OTHER THAN A&E?

A YES, I DID. I GOT A CHECK FROM KURT RODWELL AT SEACLUSION'S FOR $19,480 I THINK IT WAS AND I PUT IT IN AN EES CONSTRUCTION ACCOUNT AND I WAS SUPPOSED TO GIVE HALF OF IT TO MR. VEREEN AND I THOUGHT I HAD, BUT I DON'T HAVE ANY RECORD WHERE I DID. I THOUGHT I HAD GIVEN HIM CASH OR A CHECK, BUT I DO NOT HAVE A CHECK. SO, OBVIOUSLY, I HAD NOT GIVEN IT TO HIM.

Q WHEN YOU TOOK THAT CHECK MR. VEREEN WAS AWARE OF IT?

A YES.

Q AGREED TO IT?

A YEAH. HE AGREED TO TAKE HALF OF IT.

Q YOU DIDN'T HIDE IT?

A NO. BUT I FORGOT ABOUT IT WHEN I DID THIS STUFF.

Q THAT'S OKAY. BUT DID YOU EVER BILL FOR WORK DONE BY A&E IN THE NAME EES AND KEEP THE MONEY FOR YOURSELF?

A NO.
Q NOW, YOU UNDERSTAND THE PEACHTREE SYSTEM? I KNOW YOU'RE NOT AN ACCOUNTING EXPERT, BUT DO YOU KNOW WHAT JOB LEDGERS ARE ON THAT SYSTEM?
A YES, SIR.
Q IS THAT THE WAY THAT THE COMPANY WOULD MAINTAIN ITS CONSTRUCTION ACCOUNTS FOR EACH CUSTOMER?
A YES, SIR.
Q WHAT I'M ASKING YOU, SIR, ARE YOU AWARE OF ANY ACCOUNTS THAT THE COMPANY HAD WHERE YOU HAD LARGE EXPENDITURES OF MONEY WHERE NO PAYMENT WAS MADE?
A YES, SIR.
Q WAS THAT AFTER AUTHORIZATION BY THE COMPANY FOR ANY CUSTOMER?
A NO.
Q DID YOU EVER TELL MR. VEREEN THAT IT WAS OKAY TO DO IT FOR ANY CUSTOMER WHETHER IT BE HIS FAMILY OR HIS COMPANIES OR SOMEONE THAT YOU CONTRACT WITH?
A NO, SIR.
Q IF SOMEONE HAD NOT... IF A BILL HAD BEEN RENDERED FOR ANY OTHER CUSTOMER AND PAYMENT HAD NOT BEEN MADE WITHIN A 30 OR 60 DAYS, WOULD YOU EXPECT HIM TO TELL YOU?

A YES, SIR.
Q AND WOULD YOU TELL HIM IF ONE OF YOUR CUSTOMERS HAD NOT PAID?
A YES, SIR. HE DID THAT. HE HAD A GUY, JACK ROBERTSON, OWED US SOME MONEY, $40,000 ON A DECK ON BEACH DUNES AND HE WOULDN'T PAY US. HE TOLD US WE HAD TO REPLACE SOME STUFF TO DO IT AND WE WENT AND DID IT AND GOT THE CHECK. HE TOLD ME, "HE DID NOT PAY IT."
Q THAT'S IMPORTANT, ISN'T IT?
A VERY IMPORTANT.
Q AND YOU WEREN'T AWARE THAT ANY OF THIS WAS GOING ON WHILE YOU WERE WORKING AT A&E?
A NO, SIR.
Q THE INITIAL ACCOUNTS, AS TESTIMONY ALREADY BY HIM CONCERNING THE WILLOUGHBY ACCOUNT, THE WILLOUGHBY PLACE WAS A CONSTRUCTION JOB OF A&E?
A YES, SIR.
Q IT WAS PERMITTED IN A&E?
A YES, SIR.
Q YOU HADN'T SEEN THE CONTRACT, HAVE YOU?
A NO. BUT I HAVE SEEN THE PERMITS.
Q WE'VE TALKED ABOUT THE CONSTRUCTION DRAWS IN THE OTHER NAME. WERE YOU AWARE OF THESE CHECKS BEING PLACED IN OTHER ACCOUNTS --

A NOT AT THE TIME, NO.
Q -- IN CONNECTION WITH THIS LAWSUIT?
A BEFORE THIS LAWSUIT, NO.
Q DID YOU FIND OUT AFTER THIS LAWSUIT PROGRESSED? DID YOU LEARN ON THE ACCOUNTING, THERE'S $113,480.00 WORTH OF CHECKS IN 2004 THAT WERE PUT IN MR. VEREEN'S PERSONAL ACCOUNT?
A I AM NOW.
Q TELL ME, SIR, DID MR. VEREEN EVER TELL YOU THAT HE WAS GOING TO DO THAT WITH THOSE CHECKS?
A NEVER.
Q WERE YOU SHOCKED?
A VERY.
Q WERE YOU SURPRISED?
A VERY SURPRISED.
Q WERE YOU DISAPPOINTED?
A MORE THAN YOU WILL EVER KNOW.
Q WERE YOU AWARE THAT DR. LALE, SS CARDIOLOGY ACCOUNT, THAT IT HAD BEEN BILLED IN A&E'S NAME, I MEAN, ARTHUR VEREEN'S NAME AND THAT A $50,000 DEPOSIT HAD BEEN PUT IN ARTHUR VEREEN CONSTRUCTION COMPANY?
A IT SHOCKED ME.
Q DID HE TELL YOU ANYTHING ABOUT THAT?
A NO, SIR.

Q DID HE EVER TELL YOU, "LOOK, I'M PAYING MONEY. I'M PAYING THE EXPENSES OUT OF MY ARTHUR VEREEN ACCOUNT FOR THESE JOBS?"?

A NO, SIR.

Q HE DIDN'T TELL YOU ANYTHING?

A NO.

Q IN 2004, 2005 AND 2006 HE NEVER MENTIONED DOING THAT, DID HE, SIR?

A NO, SIR.

Q BUT WAS HE TELLING YOU ABOUT ALL THE MONEY THAT HE HAD TO PUT IN?

A CONTINUOUSLY.

Q DID HE TELL YOU THAT HE HAD PAID $113,724 TO ARTHUR VEREEN CONSTRUCTION COMPANY OUT OF THE A&E ACCOUNT IN 2004?

A NO.

Q WERE YOU AWARE THAT?

A NO, SIR.

Q DID YOU GIVE HIM PERMISSION TO DO IT?

A NO, SIR.

Q IF IT HAD BEEN A LEGITIMATE BILL AND HE DISCUSSED IT WITH YOU, WOULD YOU HAVE AUTHORIZED HIM TO DO IT?

A BY ALL MEANS.

Q BUT HE DIDN'T, DID HE, SIR?

A I WASN'T --
Q HE DIDN'T TELL YOU?
A THERE WAS NO REASON TO PAY IT.
Q WERE YOU SURPRISED WHEN YOU FOUND THAT OUT?
A YES, SIR.
Q WERE YOU SHOCKED?
A VERY.
Q WERE YOU DISAPPOINTED?
A YES, SIR. VERY DISAPPOINTED.
Q NOW, IN 2004 MS. BRADY TESTIFIED THAT THERE WAS $21,000 THAT WAS PAID FOR TAXES, SOME OF THIS WAS IN OR OUT. IN ALL OF THESE YEARS WHERE MR. VEREEN PAID HIS PERSONAL PROPERTY TAXES OUT OF A&E, WERE YOU SURPRISED?
A VERY MUCH SO.
Q DID YOU HAVE ANY IDEA THAT HE WAS PAYING HIS HOUSE TAXES AND OTHER PROPERTY TAXES OUT OF THIS COMPANY?
A NO, SIR.
Q WERE YOU SURPRISED?
A NO, SIR. WAS I SURPRISED THAT HE DID IT? YES.
Q DID IT SHOCK YOU?
A VERY MUCH SO.
Q AND THAT CONTINUED ON THROUGH YOUR HISTORY, HIM PAYING TAXES OUT OF THIS ACCOUNT?

A THROUGH INVESTIGATIONS EVERY YEAR THAT WE WERE IN BUSINESS, HE DID THE SAME THING.

Q YOU WEREN'T AWARE OF ANY OF THAT, WERE YOU, SIR?

A NO, SIR.

Q YOU STARTED THE PUTT-PUTT JOB IN 2004 AND 2005, SIR? THE PARK PLACE PROPERTIES PUTT-PUTT?

A YES.

Q WERE YOU AWARE THAT THE COMPANY WAS PAYING MONEY FOR LABOR AND MATERIALS AND SUPPLIES AT THE PUTT-PUTT?

A YES.

Q YOU SAW THE JOB LEDGERS?

A YES.

Q WHEN DID YOU BECOME AWARE THAT MR. VEREEN HAD NOT MADE PAYMENTS FOR ANY OF THESE MATERIALS AND LABORS?

A IN DECEMBER OF 2006.

Q DID THAT SURPRISE YOU?

A YES.

Q DID HE EVER DISCUSS WITH YOU, "LOOK, ELLIS, THINGS ARE KIND OF TIGHT. CAN WE RIDE THIS OUT A LITTLE WHILE TO HELP ME OUT FINANCIALLY."?

A NO. I KNEW HE WAS NOT TIGHT. I SAW... I HAD SEEN PARK PLACE PROPERTIES CHECKBOOK. THERE WAS LOTS OF MONEY.

Q ON THE POINTE MARSH JOB, WHICH THAT WENT ON THROUGH AND A&E WAS INVOLVED IN PERMITTING ALL 23 HOUSES?

A YES, SIR.

Q I UNDERSTAND THAT THERE WERE OTHER SUPERVISORS RUNNING MOST OF THOSE 23 JOBS?

A THERE WERE TWO SUPERVISORS TO THE BEST OF KNOWLEDGE UP THERE FROM THE BEGINNING OF POINTE MARSH TO THE END. BASIL WAS THERE ON TWO DIFFERENT --

Q BASIL CURT?

A YES, CURT. HE WAS THERE FOR TWO DIFFERENT STINTS. HE WENT FOR A WHILE AND GOT MAD AT WAYNE AND MAD WITH BETH AND LEFT. AND THEN, HE CAME BACK AND THEN HE LEFT AGAIN, AND RANDY LONG WENT AND DID WAYNE'S HOUSE IN MURRELLS INLET AND WHEN HE FINISHED THAT UP, HE WENT AND FINISHED POINTE MARSH UP.

Q RANDY LONG WAS AN EMPLOYEE OF EES WHEN Y'ALL STARTED?

A YES, SIR.

Q DURING THE COURSE OF THE CONSTRUCTION OF THESE HOUSES FOR POINTE MARSH, THAT'S PARK PLACE PROPERTIES, MRS. VEREEN'S COMPANY?

A THAT'S RIGHT.

Q THERE WERE NUMEROUS CONSTRUCTION LOANS?
A YES, SIR.
Q AND YOU HAVE SEEN DRAW REQUESTS FOR THOSE, HAVE YOU NOT?
A YES, I HAVE.
Q YOU HAVE SEEN CHECKS THAT WERE MADE PAYABLE TO PARK PLACE PROPERTIES AND A&E?
A NO. I HAVE NOT SEEN DRAW REQUESTS UP THERE.
Q YOU HAVE NOT?
A NO.
Q HAVE YOU SEEN CHECKS THAT WERE MADE PAYABLE... JOINT CHECKS FROM FIRST PALMETTO BANK PAYABLE TO A&E AND PARK PLACE PROPERTIES?
A I DON'T KNOW THAT I HAVE.
Q SO, TELL ME, SIR, WHAT DID YOU LEARN FROM LOOKING AT THE BOOKS THAT WAS OWED TO THE COMPANY AT THE POINTE MARSH PROJECT?
A IT'S IN THE HUNDREDS OF THOUSANDS OF DOLLARS.
Q MS. BRADY GAVE YOU THOSE FIGURES OFF THE COMPUTER?
A SHE DIDN'T GIVE THOSE TO ME TO START OUT. I FOUND THOSE WHEN I WENT THROUGH AND PULLED THE GENERAL LEDGERS TO START OFF WITH. THAT WAS ONE OF THOSE REASONS THAT I STARTED THIS ONGOING LAWSUIT IS BECAUSE I FOUND OUT THAT THEY OWED

LOTS OF MONEY. POINTE MARSH OWED A&E A WHOLE LOT MONEY AND PARK PLACE PROPERTIES OWED A&E A WHOLE LOT OF MONEY AND PARKWAY OFFICE OWED A&E A WHOLE LOT OF MONEY. IT WAS ALL ON THE GENERAL LEDGER.

Q WHEN YOU SAY, "IT WAS ON THE GENERAL LEDGER" DO YOU MEAN YOU COULD GO TO THE PEACHTREE ACCOUNTING SYSTEM AND SEE WHERE MATERIAL HAD BEEN CHARGED FOR PARKWAY OFFICES?

A YES.

Q THAT'S MRS. VEREEN'S COMPANY THAT OWNS THAT LITTLE OFFICE COMPLEX?

A RIGHT.

Q PARK PLACE PROPERTIES WOULD BE... THOSE WERE THE JOB LEDGERS THAT WERE ON THAT ACCOUNTING SYSTEM? THEY SHOWED THAT MATERIALS WERE CHARGED TO THE COMPANY FOR THOSE JOBS?

A THAT'S CORRECT.

Q AND ACTUALLY PAID BY THE COMPANY, IS THAT NOT CORRECT?

A THAT'S CORRECT.

Q AND LABOR WAS CHARGED TO THOSE THREE JOBS AND PAID FOR BY THE COMPANY SHOWN ON THOSE BOOKS?

A YEAH. WHATEVER THE CHECK WAS WRITTEN TO THE EMPLOYEE WAS PUT ON THERE, BUT NONE OF THE

SOCIAL SECURITY, WORKMAN'S COMP OR ANYTHING LIKE THAT WAS PUT ON THERE.

Q THE OVERHEAD?

A THE OVERHEAD.

Q DID YOU THINK THAT MR. VEREEN WAS BILLING HIMSELF FOR THESE CHARGES AT COST PLUS 15 AS HE WAS GOING ALONG?

A WELL, THAT'S WHAT HE SAID THAT HE WAS GOING TO DO. I JUST ASSUMED THAT HE WOULD.

Q DID YOU THINK THAT YOU WERE FINANCING THE IMPROVEMENTS AT THE PUTT-PUTT?

A ABSOLUTELY NOT.

Q HAS HE EVER PAID YOU ANYTHING AT THE PUTT-PUTT?

A NOT TO MY KNOWLEDGE.

Q I UNDERSTAND THAT YOU HAVE GOTTEN CHECKS FROM THE VEREEN ENTITIES, CORRECT? YOU HAVE GOTTEN CHECKS FROM MR. VEREEN, PARK PLACE PROPERTIES AND --

A ME PERSONALLY?

Q NO, THE COMPANY.

A I HAVE RECEIVED ONE CHECK FOR $5,000 FROM MR. VEREEN FOR WORK THAT I DID AT THE PUTT-PUTT, BUT THAT WAS WHEN HE WAS ON VACATION AND I WENT UP THERE AND I HELPED OUT. HE GAVE ME A CHECK FOR $5,000. YES, HE DID.

Q CORRECT.
A I PUT IT IN A&E AND TAXES WERE PAID ON IT.
Q CORRECT.
A THERE ARE CHECKS THAT WERE PAID, PUT INTO A&E ACCOUNTS FROM PARK PLACE PROPERTIES, PARKWAY OFFICES, WAYNE VEREEN PERSONALLY. THERE ARE CHECKS THAT HAVE BEEN DEPOSITED INTO OUR A&E ACCOUNT. YES.
Q YOU HAVEN'T FOUND ANY CONTRACTS FOR ANY OF THESE CONSTRUCTIONS JOBS, HAVE YOU?
A NO, SIR.
Q AND 23 HOUSES IS A FAIRLY LARGE AMOUNT OF CONSTRUCTION?
A I WOULD THINK SO, YES.
Q HAVE YOU FOUND ANY EVIDENCE WHERE MR. VEREEN OR A&E EVER SUBMITTED A WRITTEN BILL TO MR. VEREEN AS THE OWNER OF THE COMPANY FOR THE SERVICES THAT WERE RENDERED ON THOSE 23 HOUSES, THE PUTT-PUT, AND THE OFFICE?
A NO. THERE'S NEVER BEEN A BILL THAT I KNOW OF.
Q WERE YOU SURPRISED, SIR?
A AT THIS POINT IN TIME, NO. I'M NOT, BUT AT THAT POINT IN TIME, YES, I WAS.
Q YOU SAY THAT YOU'RE NOT SURPRISED NOW?
A NO.

Q WHY IS THAT?
A THAT'S JUST THE WAY HE DOES BUSINESS. THERE'S NO STRUCTURE.
Q LET ME ASK YOU SOMETHING, WOULD IT BE SAFE TO SAY THAT MR. VEREEN WAS WRITING A LOT OF PERSONAL EXPENSES OUT OF THE A&E CORPORATE CHECKING ACCOUNT?
A SINCE THE BEGINNING OF THE CORPORATION.
Q WHO DOES THIS ACCOUNT BELONG TO AT CAROLINA FIRST BANK?
A A&E CONSTRUCTORS.
Q AND HE'S THE TREASURER AND THE ONLY PERSON WHOSE EVER SIGNED THE CHECKS?
A THAT'S CORRECT. HE'S THE ONLY AUTHORIZED SIGNATURE ON THAT ACCOUNT TO THE BEST OF MY KNOWLEDGE.
Q WE WENT INTO THE SUPERVISORY FEES. WERE YOU AWARE THAT MR. VEREEN WAS WRITING HIMSELF A CHECK FOR THESE "SUPERVISOR FEES"?
A AT THE TIME IT WAS HAPPENING, NO. IN DECEMBER OF 2006 I FOUND OUT, YES.
Q AND WERE YOU SURPRISED, SIR?
A OH, I WAS SHOCKED.
Q WHY WERE YOU SHOCKED?
A BECAUSE HE WAS BEING PAID BY A&E A SALARY FOR

WHAT HE WAS DOING. EVERYTHING WAS ALL... ALL EXPENSES, WORKMANS' COMP, EVERYTHING WAS. HE WAS GETTING PAID BY A&E, AT THAT TIME. NONE OF THAT WAS PAID FOR, FOR MINE. I WAS PAYING ALL MY OWN WORKMANS' COMP. I WAS PAYING EVERYTHING; TRUCK, PHONE, AND EVERYTHING --

Q THAT'S OUT OF THE EES?

A THAT'S OUT OF EES. THAT'S WHY THE SUPERVISORY FEE WAS SUBMITTED TO A&E AT THAT POINT IN TIME. COME MARCH WE WERE SLOWING DOWN WITH ALL THE... MY WORKERS WERE GOING TO GO TO WORK FOR A&E. MY SON AND MATT DEAN AND A COUPLE OF THEM WENT. THEY WERE COMING TO WORK FOR A&E AT AN HOURLY WAGE BECAUSE WE HAD ENOUGH TO KEEP EVERYBODY GOING AND AT THAT POINT IN TIME, I WENT ON SALARY. THE SUPERVISION TOTALLY QUIT.

Q IS SUPERVISION AN OVERRIDE ON YOUR SALARY? I'M TALKING ABOUT, DID YOU MAKE ANY EXTRA MONEY OTHER THAN THE $25.00 AN HOUR THAT HE AGREED TO PAY YOU?

A NO. I MEAN, YOU CAN LOOK AT THE TAX RETURNS OF EES CONSTRUCTION. THERE WAS NO MONEY MADE AFTER 2004. THERE WAS SOME JOBS THAT I FINISHED UP IN 2004. THERE WAS NO MONEY MADE IN EES CONSTRUCTION AFTER 2004. IT WAS BASICALLY A

WASH.

Q TELL ME, SIR, WERE YOU AWARE THAT HE HAD PAID HIMSELF $103,000? I THINK IT'S $103,760.68 IN CHECKS LABELED SUPERVISORY FEES.

A NO. BECAUSE WHEN I LATER LOOKED AT THAT AND LOOKED AT THE GENERAL LEDGER, HE HAD LIKE A SUPERVISORY FEE FOR THE TAHITIAN PRINCESS. HE SET FOOT ON THE TAHITIAN PRINCESS THREE TIMES THE WHOLE LIFE OF THE JOB PERIOD. WHY WOULD HE GET A $1,500 ONE MONTH AND A $1,100 ANOTHER MONTH SUPERVISION FEE FOR TAHITIAN PRINCESS? HE NEVER WENT.

Q WAS THERE SUPPOSED TO BE ANY SUPERVISORY FEE PAID TO ANY EMPLOYEE OF THE COMPANY?

A EMPLOYEE OF THE COMPANY?

Q SUPERVISORY FEE IN ADDITION TO THEIR SALARY?

A NO.

Q DID HE TELL YOU THAT HE WAS DOING IT?

A NO, SIR.

Q WHEN DID YOU FIND OUT ABOUT IT?

A WHEN SUSAN EXAMINED THE BOOKS. WHEN SHE WAS LOOKING TO DO THE TAXES SHE SAID, "ELLIS, THERE'S ALL KINDS OF THE SUPERVISORY..." SHE SAID, "I DON'T KNOW WHAT THIS IS. SOMEBODY'S GOT TO EXPLAIN IT."

Q DID HE EVER EXPLAIN?
A NO.
Q TO THIS DAY, HAS HE EVER EXPLAINED IT TO YOU?
A I BEG YOUR PARDON.
Q TO THIS DAY, HAS THE EVER EXPLAINED WHY HE DID WHAT HE DID?
A HE NEVER MENTIONED IT.
Q WAS THAT AN AUTHORIZED EXPENDITURE OF THE COMPANY?
A ABSOLUTELY NOT.
Q MR. SMITH, SHOULD MR. VEREEN BE WRITING HIMSELF A CHECK FOR ANY REASON WITHOUT YOUR OKAY?
A NO.
Q SHOULD YOU RIGHT A CHECK FOR YOURSELF OUT OF THE COMPANY WITHOUT HIS OKAY?
A NO.
Q YOU'RE NOT COMPLAINING ABOUT REIMBURSEMENT FOR COST ADVANCE OF A SMALL AMOUNT OF INVOICES? YOU DIDN'T OBJECT TO THAT, DID YOU, SIR?
A NO.
Q IT HAPPENS ALL THE TIME, DOESN'T IT?
A SURE.
Q THE GREEN TURTLE HOUSE, TELL ME, SIR, DOES MR. VEREEN OWN A HOUSE IN THE BAHAMAS?
A YES. HE OWNS A HOUSE IN THE BAHAMAS.

Q DOES HE OWN IT ALL OR DOES HE OWN A PART OF IT?
A HE OWNS A PART OF IT. I DON'T KNOW FOR SURE, BUT WHAT I'VE BEEN TOLD IS THAT HE OWNS A PORTION OF IT. HE HAS CERTAIN WEEKS HE CAN GO DOWN THERE DURING THE YEAR.
Q WERE YOU AWARE THAT YOUR COMPANY ASSUMED SOME CONSTRUCTION COST AT HIS HOUSE IN THE BAHAMAS?
A NO, I WASN'T.
Q DID YOU FIND OUT LATER?
A YES.
Q WAS IT AUTHORIZED?
A NO. BECAUSE I WENT DOWN THERE AND BUILT THE GARAGE WITH TWO OTHER SUPERINTENDENTS THAT WE HAD AND A COUPLE FRIENDS OF WAYNE'S. WE FLEW DOWN THERE AND BUILT THE GARAGE. AND I DID NOT KNOW THAT WE PAID FOR ALL THE MATERIAL AND EVERYTHING ELSE DOWN THERE. I HAD NO IDEA.
Q WAS THAT AN AUTHORIZED EXPENDITURE?
A NO.
Q MR. VEREEN HAS ADMITTED THAT WAS A PERSONAL EXPENDITURE, HAS HE NOT?
A YES.
Q BUT HE DIDN'T WHEN THIS LAWSUIT WAS FILED, DID HE, SIR?
A NO.

Q HE SAID IT WAS A BUSINESS EXPENSE, DID HE NOT?
A YES.
Q WHAT ABOUT THE DRY-CLEANING BILL? DO YOU KNOW THAT MR. VEREEN WAS BEING PAID FOR THE DRY-CLEANING BILL FOR FOUR YEARS OUT OF YOUR ACCOUNT?
A I KNEW THE DRY-CLEANING WAS DROPPED OFF AND PICKED UP AT OUR OFFICE. AS FAR AS WHO PAID FOR IT, NO, I DID NOT.
Q WERE YOU SURPRISED?
A VERY.
Q HE'S ADMITTED THAT IS A PERSONAL EXPENSE?
A YES.
Q BUT HE DIDN'T WHEN THE LAWSUIT WAS FILED, DID HE, SIR?
A THAT'S CORRECT.
Q NOW, HE WAS THE... WHAT IS THE SHELL ACCOUNT? DID YOU FIND OUT WHAT THAT WAS?
A THE SHELL ACCOUNT WAS JUST HIS DAUGHTER'S CREDIT CARD. IT WAS A SHELL GAS CARD. IT WAS GIVEN TO HIS DAUGHTER, WHO WAS IN COLUMBIA AT THE TIME. IT WAS JUST HER GAS CARD AND THAT'S WHAT SHE CHARGED HER GAS TO.
Q THERE'S CHARGES THERE FOR GASOLINE PURCHASED IN THE VICINITY OF THE UNIVERSITY OF SOUTH

CAROLINA?

A SURE. 90% PERCENT OF IT IS, YES.

Q AND YOU HAD NO IDEA THAT HE WAS DOING THAT?

A NO.

Q WAS THAT A CREDIT CARD OF A&E?

A NO, SIR.

Q THAT WAS MR. VEREEN OR ARTHUR VEREEN CONSTRUCTION COMPANY?

A IT WASN'T A&E'S.

Q YOU DIDN'T AUTHORIZE ANY OF THOSE?

A NO.

Q TELL ME SOMETHING, DO YOU KNOW ANYTHING ABOUT THIS ACORN WAREHOUSE?

A ACORN WAREHOUSE IS A WAREHOUSE THAT WAYNE RENTED AND IF Y'ALL LOOK AT THE CHECK STATEMENTS FROM ARTHUR VEREEN, HE HAD PAYMENTS MADE ALL THROUGH 2003 FOR THIS WAREHOUSE THAT IN HIS DEPOSITION SAID THAT HE HAD TO RENT TO PUT HIS STUFF IN AFTER A&E WAS FORMED. WELL, HE RENTED THE WAREHOUSE 6 TO 12 MONTHS BEFORE A&E WAS EVER IN EXISTENCE. IN THAT WAREHOUSE WAS AN OLD ANTIQUE CAR, FURNITURE, OLD HUNTING STUFF, COOKING STUFF THAT BELONGED TO HIM. IT DID NOT BELONG TO A&E. THERE WERE NO CONSTRUCTION MATERIALS IN THERE. WHY IN THE WORLD SHOULD WE BE PAYING FOR IT?

Q AND HE HAS PAID FOR THAT WAREHOUSE FROM 2004 ALL THE WAY UNTIL NOW AS FAR AS YOU KNOW?
A I DON'T KNOW. IT WAS THROUGH 2007.
Q DID YOU AUTHORIZE THAT?
A NO.
Q IS THERE A LEASE, TO YOUR KNOWLEDGE, THAT'S BEEN PRESENTED IN THE NAME OF A&E?
A NO. I HAVE NEVER SEEN A LEASE.
Q WOULD YOU PAY THAT KIND OF MONEY TO STORE STUFF, MR. SMITH?
A NO, NOT ME.
Q WAS THAT AN UNAUTHORIZED EXPENSE?
A YES, SIR.
Q LET'S GO TO THE PLANTATION LAKES JOB. ARE YOU FAMILIAR WITH THAT, MR. SMITH?
A YES, SIR.
Q AND PLANTATION LAKES, WAS THAT A CONSTRUCTION JOB THAT WAS IN THE A&E COMPUTERS?
A YES, SIR.
Q AND IS THAT FOR PROPERTY OWNED BY ARTHUR WAYNE VEREEN?
A I THINK IT WAS AT THE TIME, YES.
Q DID YOU EVER HAVE ANY DISCUSSION WITH MR. VEREEN CONCERNING A&E BUILDING A HOUSE OR BEING A CONTRACTOR ON A HOUSE FOR A LOT THAT HE

PERSONALLY OWNED?

A WE WERE GOING TO BUILD IT AT COST-PLUS 15% PERCENT.

Q YOU HAD A DISCUSSION ABOUT THAT?

A YES.

Q YOU ACTUALLY WORKED AT THAT HOUSE, DIDN'T YOU, SIR?

A QUITE A BIT.

Q DURING THE CALENDAR YEAR 2004 BEFORE IT SOLD, WAS ANY PAYMENT MADE BY MR. VEREEN TO A&E FOR THE CONSTRUCTION SERVICES AND BILLS INCURRED BY A&E? DURING 2004, SIR?

A I LATER LEARNED NO. NEVER.

Q DID THAT SURPRISE YOU, SIR?

A YES. VERY MUCH SO BECAUSE HE HAD A CONSTRUCTION LOAN ON IT.

Q DID THE PEACHTREE SYSTEM HAVE A JOB ACCOUNT LEDGER FOR THAT PROJECT?

A YES, SIR.

Q SO YOUR COMPANY WAS PAYING BILLS AND PROVIDING LABOR AT THE HOUSE?

A YES, SIR.

Q WERE YOU AWARE THAT HE HAD A CONSTRUCTION LOAN AT THAT TIME?

A YES, SIR.

Q DID YOU THINK THAT MR. VEREEN WAS PAYING THESE BILLS THROUGH A&E AFTER HE GOT DRAWS?

A OF COURSE, YEAH. HE HAD A CONSTRUCTION LOAN.

Q DID HE MAKE ANY PAYMENTS TO YOU ON THAT CONSTRUCTION LOAN?

A NONE.

Q DID THAT SURPRISE YOU?

A VERY MUCH SO. IT SHOCKED ME.

Q DID YOU THINK THAT A&E HAD BEEN PAID AND MADE A PROFIT ON THAT JOB WHILE YOU WERE WORKING THERE IN 2004, 2005 OR 2006?

A YES.

Q WHAT DID YOU FIND OUT THAT MR. VEREEN HAD DONE, SIR?

A MR. VEREEN USED A&E'S PERMIT. WE BOUGHT IT. WE BUILT THE HOUSE. HE PAID FOR SOME OF THE LITTLE THINGS OUT OF HIS PERSONAL ACCOUNT. I THINK HE PAID FOR THE FRAMING. HE PAID FOR A LITTLE BIT OF CONCRETE, BUT WE PAID FOR THE VAST MAJORITY OF WHAT WAS DONE ON THE HOUSE. WE RECEIVED NO MONEY AFTER THIS LAWSUIT WAS FILED. YOU CAME IN AND SAID, "MR. SMITH, WON'T YOU TELL ME ABOUT THE PROPERTY THAT A&E OWNS OR DID OWN?" AND I SAID, "WELL, WE OWN THE OFFICE, BUT IT BELONGED TO WAYNE AND I THINK IT WAS PUT BACK INTO HIS

NAME." BUT WE DIDN'T OWN THAT. AND YOU SAID, "WHAT ABOUT THIS HOUSE AT PLANTATION LAKES?" AND I SAID, "WE DID NOT OWN A HOUSE." THROUGH INVESTIGATION WE FOUND OUT THAT WAYNE VEREEN CHANGED THE HOUSE INTO A&E'S NAME AT LIKE 10 O'CLOCK IN THE MORNING AND IT WAS SOLD THAT AFTERNOON AT 3 O'CLOCK IN THE AFTERNOON. AND A CHECK WAS WRITTEN TO A&E FOR THE PROCEEDS OF THE HOUSE, WHICH WAS LIKE A $102,000 AND CHANGE. THAT'S ALL OF THE MONEY THAT THE "SO-CALLED WE" GOT OFF THE HOUSE.

Q DID YOU KNOW ANY OF THIS HAD OCCURRED UP THROUGH --

A NO. I DIDN'T KNOW ANYTHING ABOUT THIS AND I LATER FOUND OUT FROM SUSAN THAT THE $102,000 WAS BROUGHT INTO THE ACCOUNT OF A&E AS A CAPITAL CONTRIBUTION FROM WAYNE VEREEN, WHICH HE WOULD'VE PROFITED. HE WOULD HAVE MADE OFF THIS HOUSE IN PLANTATION LAKES HAD HE DONE IT AND HE KEPT IT IN HIS NAME, BUT WAS A $150,000 OR WHATEVER THAT'S OWED ON THAT HOUSE THAT WE NEVER GOT PAID FOR.

Q AT ALL?

A AT ALL. NONE.

Q ON THE TAX RETURN THAT WAS FILED IN 2005, THE

DATE THE YEAR OF SALE, A&E IT'S REPORTED ON YOUR TAX RETURN THAT YOU OWE WAYNE A $102,000 FOR THAT CAPITAL CONTRIBUTION?

A THAT'S CORRECT.

Q DID THAT UPSET YOU, MR. SMITH?

A IT SHOCKED ME. I MEAN, IT JUST FLOORED ME. I WOULD HAVE NEVER BELIEVED THAT.

Q WOULD YOU HAVE THESE CONVERSATIONS WITH MR. VEREEN, "LET'S SQUARE YOU AND GET THIS RIGHT."? DID HE TELL YOU WHAT HE DID WITH THE HOUSE?

A NO.

Q DID HE EVEN MENTIONED IT?

A NEVER.

Q DID HE MENTION ANY OF THIS STUFF THAT HE HAD DONE WHEN YOU WERE HAVING THESE CONVERSATIONS?

A NO, SIR.

Q WHAT DID HE TELL YOU?

A "YOU OWE ME MONEY."

Q YOU OWE MORE MONEY?

A I PUT MORE MONEY IN THERE THAN I'VE TAKEN OUT.

Q DID A&E LATER ON GO BACK AND PERFORM ADDITIONAL WORK FOR THAT PURCHASER AT PLANTATION LAKES?

A YES, SIR.

Q MRS. DREWITT?

A YES, SIR.

Q WHAT HAPPENED WITH THAT MONEY?
A THEY PUT IT IN ANOTHER ACCOUNT. IT DIDN'T GO IN AN A&E ACCOUNT.
Q IT WAS BILLED?
A YES. IT WAS BILLED, BUT IT DID NOT GO IN AN A&E ACCOUNT.
Q BUT THE CHECK WAS WRITTEN TO A&E, WASN'T IT?
A I THINK THE CHECK WAS WRITTEN TO A&E. WE HAVE A COPY OF IT. THE CHECK WAS WRITTEN TO A&E, BUT I THINK IT WAS PUT INTO PARK PLACE.
Q PARK PLACE PROPERTIES?
A PARK PLACE PROPERTIES.
Q WHAT IN THE WORLD DID PARK PLACE PROPERTIES HAVE TO DO WITH THIS HOUSE IN ARTHUR VEREEN'S NAME?
A I GUESS PARK PLACE PROPERTIES AND ARTHUR VEREEN ARE BASICALLY ONE IN THE SAME THING. I MEAN, PARK PLACE PROPERTIES, PARKWAY OFFICES, WAYNE VEREEN, LINDA VEREEN, ARTHUR VEREEN CONSTRUCTION COMPANY. EVERY ONE OF THEM HAVE GOTTEN MONEY HERE, MONEY THERE. I DON'T KNOW. I GUESS HE FELT THAT CHECK ON THE HOUSE SHOULD GO INTO PARK PLACE PROPERTIES BECAUSE HE NEEDED IT FOR SOMETHING. I DON'T KNOW. I CAN'T TELL YOU WHAT HAPPENED.
Q WHEN YOU WERE ASKING HIM THE QUESTION ON THE

INTERROGATORIES, DID HE ADMIT THAT HE TOOK THAT SECOND CHECK?

A NO.

Q HE DID NOT?

A NO.

Q MRS. PERRY'S JOB, WAS HIS SISTER?

A RIGHT.

Q AND YOU HAVE THAT LISTED AS AN ACCOUNT RECEIVABLE BECAUSE THAT WAS A JOB DONE FOR HIS SISTER?

A AT THE TIME THAT I DID THIS, THERE WAS NO RECORD OF PAYMENT BEING MADE INTO THE ACCOUNT AND THERE WAS MONEY OWED ON THE PERRY JOB.

Q WHY WOULD A&E PAY FOR WORK AND LABOR ON HIS SISTER'S HOUSE AND NOT BILL FOR IT?

A HE HAD BEEN DOING WORK FOR HIS SISTER AND HIS FAMILY. I THOUGHT HE BILLED THEM FOR IT. I THOUGHT HE GOT PAID FOR IT. I DIDN'T KNOW HE WAS DOING IT PRO BONO. I HAD NO IDEA.

Q PRO BONO MEANS?

A FOR NOTHING.

Q BUT THE MATERIAL AND LABOR WEREN'T PAID BACK, WERE THEY?

A I DON'T THINK ANYTHING WAS PAID BACK.

Q HE DIDN'T TELL YOU ABOUT THAT EITHER, DID HE,

SIR?

A NO.

Q THE LITCHFIELD MEDICAL CENTER, YOU HAD WORK DONE I THINK IN TWO YEARS. WAS THE LITCHFIELD JOB AN OLD JOB OF WAYNE'S?

A YES. IT WAS A JOB THAT WAYNE HAD DONE IN THE PRECEDING YEARS.

Q WAS THAT A JOB THAT HE WAS FINISHING UP WHEN A&E STARTED?

A I THINK THAT JOB WAS FINISHED, BUT HIM AND HIS PARTNER WERE TRYING TO SELL IT. THEY HAD TO GO DOWN AND DO SOME WORK ON IT TO GET IT READY FOR SALE FOR WHATEVER REASON. SO, WE SENT PEOPLE DOWN THERE AND THE DUMPSTERS AND STUFF DOWN THERE TO GET IT FIXED UP.

Q SO, YOU HAD LABOR AND MATERIALS IN 2004 OF A SMALL NATURE --

A YES, SIR.

Q -- THAT WERE CHARGED TO THAT ACCOUNT?

A YES, SIR.

Q WAS THAT PAID?

A NO, SIR.

Q AND THAT WAS MR. VEREEN'S PRE-EXISTING JOB?

A YES, SIR.

Q AND WERE YOU AWARE WHEN YOU WERE DISCUSSING,

"BUY ME OUT. GET ME OUT OF HERE." WERE YOU AWARE THAT HE HAD NOT PAID FOR THE LITCHFIELD JOB?

A NO.

Q DID YOU AGREE TO FINANCE THAT?

A NO.

Q HE DIDN'T TELL YOU, DID HE?

A NO.

Q WHAT ABOUT THE SEVEN OAKS JOB? THAT WAS AN OLD JOB OF ARTHUR VEREEN CONSTRUCTION COMPANY?

A YES, SIR. THAT WAS AN ONGOING JOB WHEN WE FORMED A&E.

Q AND YOUR DEAL WITH HIM WAS THAT HE WOULD FINISH THAT UP AND KEEP THE MONEY?

A YES, THAT WAS HIS. I HAD NOTHING TO DO WITH THAT.

Q YOU HAD NOTHING TO DO WITH IT. DID YOU KNOW THAT HE WAS CHARGING LABOR AND MATERIALS OUT OF THE A&E ACCOUNT FOR IT FOR THOSE JOBS?

A NO, I DIDN'T.

Q DID YOU AUTHORIZE THAT, SIR?

A NO.

Q DID YOU AGREE TO LOAN HIM MONEY TO FINISH HIS JOB?

A NO, SIR.

Q YOU FOUND OUT THAT HE GOT PAID FOR IT, DIDN'T YOU?
A YES, SIR.
Q BUT THAT WAS PAID TO AUTHOR VEREEN, WAS IT NOT, SIR?
A YES, SIR.
Q DID HE EVER PAY YOU BACK FOR IT?
A NO, SIR.
Q DO YOU KNOW WHY?
A I HAVE NO IDEA WHY.
Q HE GOT PAID FROM SEVEN OAKS, DIDN'T HE? YOU SAW THE CHECK?
A YES, SIR. IF I RECALL THAT'S CORRECT.
Q DID HE EVER TELL YOU WHY HE DIDN'T REIMBURSE THE COMPANY?
A NO, SIR.
Q DID HE EVER ADMIT THAT HE DID THIS?
A NO.
Q BRIAN MAUDLIN JOB, THAT WAS ANOTHER JOB FOR A NEPHEW?
A FAMILY.
Q SAME THING, HE CHARGED EXPENSES AND THERE'S NO CONTRACT, IS THERE, THAT YOU HAVE EVER SEEN?
A I HAVE NEVER SEEN ONE.
Q HAVE YOU EVER SEEN A BILLING?

A NO, SIR.
Q HAVE YOU EVER SEEN THE PAPERS?
A NO.
Q WAS ANY OF THIS AUTHORIZED?
A IT WAS AUTHORIZED BY HIM. WAS IT AUTHORIZED BY ME? NO.
Q IF MR. VEREEN HAD GONE AND REPLACED THE WINDOW FOR $2,500 FOR HIS NEPHEW AND CHARGED IT TO THE COMPANY AND CAME BACK AND PAID YOU THE NEXT WEEK, WOULD THAT BOTHER YOU?
A NO.
Q BECAUSE YOU WOULD BE DOING SOMETHING TO ACCOMMODATE SOMEBODY, IS THAT CORRECT?
A SURE.
Q AND YOU WOULDN'T MIND THAT, WOULD YOU?
A NO, SIR.
Q BUT YOU WOULDN'T EXPECT HIM TO DO IT AND NEVER PAY YOU BACK?
A NO.
Q THIS WAS ON A JOB LEDGER, WASN'T IT, ALL THESE?
A THAT'S CORRECT.
Q NOW, WE'LL GO TO 2005 WITHOUT GOING THROUGH ALL OF THESE. THE SAME CHARGES FOR INSURANCE CONTINUED, DID THEY NOT?
A YES, SIR.

Q HE KNEW BETTER THAN THIS, DIDN'T HE, SIR?
A YES, SIR.
Q DID YOU AUTHORIZE THAT?
A NO, SIR.
Q HOW MUCH WERE YOU MAKING A YEAR OVER THERE?
A I STARTED OFF MAKING ABOUT $52,000 A YEAR AND THEN WE WENT TO $1,400 A WEEK SO THAT'S WHAT? 72,800.
Q OTHER THAN THE DISBURSEMENTS THAT WE'VE TALKED ABOUT HERE, THAT'S ALL YOU WERE MAKING?
A YES, SIR.
Q HOW MUCH WAS MR. VEREEN MAKING?
A BOO-COOS, LOTS.
Q LOTS, DIDN'T HE?
A YEAH.
Q WHAT ABOUT THE SHELL CHARGES, THEY KEPT ON GOING, DIDN'T THEY?
A YES, SIR.
Q SOME OF WHICH HE'S NOW ADMITTED, CORRECT?
A YES, SIR.
Q AND THEN THE SURFSIDE CLEANERS, THE PHONE FOR THE ROOFER, HE'S CONTINUED DOING THAT?
A HE CONTINUED IN 2005, BUT THEY DID NOT ADMIT THAT.
Q IS A&E'S SUPPOSED TO BE PAYING A TELEPHONE BILL

FOR A ROOFER THAT DOESN'T WORK FOR A&E?

A NO, SIR.

Q AND WHO WROTE A CHECK TO PAY FOR IT?

A WAYNE VEREEN, BUT IN HIS INTERROGATORY WHEN WE ASKED HIM WHO THE PHONE WAS, HE HAD NO IDEA.

Q HE HAD NO IDEA THAT HE WAS --

A NO IDEA HE HAD BEEN LYING FOR IT FOR THREE OR FOUR YEARS AND HE HAD NO IDEA WHOSE PHONE IT WAS. HE SAID IT WAS NOT HIS WIFE'S AND IT WASN'T HIS WIFE'S.

Q WHO WAS IT?

A IT WAS A ROOFER THAT DOES SOME ROOFING WORK FOR HIM AND AROUND TOWN. HE COULDN'T GET A PHONE AND WAYNE GOT HIM ONE AND HE'D BEEN PAYING FOR IT FOREVER WITHOUT CHARGING HIM.

Q WAS THAT AN AUTHORIZED EXPENDITURE?

A NO.

Q DID YOU WANT TO PAY HIS PHONE BILL?

A NO.

Q NOW, HE HAD SOME OTHER EXPENDITURES. I THINK THE LIFE INSURANCE, HEALTH... NO. LET'S GO ON DOWN. THE COASTAL SAVING BILL, THERE WAS SOME TESTIMONY ABOUT THAT. DID YOU KNOW THAT MR. VEREEN HAD PAID FOR PAVING AT THE OFFICE WHERE YOU WERE IN THE AMOUNT OF $10,000?

A NO.
Q DID YOU HAVE ANY IDEA? DID YOU KNOW IT WHEN HE DID IT?
A I KNOW HE HAD PAID FOR PAVING. I DID NOT KNOW WE HAD DONE IT. I DIDN'T KNOW A&E HAD PAID FOR IT.
Q YOU THOUGHT THAT MR. VEREEN HAD PAID FOR IT?
A SURE. I HELPED HIM PUT THE CATCH BASE IN, IN THE PARKING LOT.
Q YOU DIDN'T CHARGE HIM FOR IT EITHER, DID YOU?
A YEAH.
Q ALRIGHT. DID YOU AUTHORIZE HIM TO WRITE A CHECK OUT OF THIS COMPANY TO PAY FOR PAVING ON HIS PROPERTY OR HIS WIFE'S PROPERTY?
A NO.
Q WERE YOU SURPRISED?
A I WAS VERY SURPRISED.
Q AND I BELIEVE MR. VEREEN MADE SOME STATEMENT, "WELL, YOU DIDN'T OBJECT TO IT."?
A THAT'S CORRECT.
Q IS THAT BECAUSE YOU DIDN'T KNOW?
A I DIDN'T KNOW THAT HE HAD PAID FOR IT OUT OF THE COMPANY. NO, I DIDN'T.
Q PARK PLACE PROPERTIES DISBURSEMENTS KEPT ON GOING IN 2005, DIDN'T THEY?

A YES.
Q GETTING LARGER?
A YES, SIR.
Q MR. VEREEN WAS TELLING YOU, "ELLIS, I'M NOT PAYING YOU... I'M NOT REIMBURSING THE COMPANY FOR THESE EXPENSES BUILDING THOSE HOUSES AT POINTE MARSH THAT I'M CHARGING TO THE COMPANY."? DID HE EVER TELL YOU THAT?
A NO. HE NEVER TOLD ME THAT.
Q BUT HE'S WRITING THE CHECKS?
A YES, SIR.
Q THEY'RE ON THE JOB LEDGER?
A YES, SIR.
Q AND THERE IS A CHECK TO SUPPORT EACH ONE OF THEM?
A YES, SIR.
Q DID HE TELL YOU... DID YOU KNOW HE HAD CONSTRUCTION LOANS GOING ON AT THAT TIME FOR THOSE JOBS?
A WELL, HE TOLD ME THAT HE HAD CONSTRUCTION LOANS. I NEVER SAW ANY DOCUMENTATION THAT HE HAD CONSTRUCTION LOANS.
Q WAS THERE ANY REASON FOR YOU TO BELIEVE THAT HE WOULDN'T REIMBURSE YOU FOR THESE EXPENSES?
A NONE.

Q AND THERE'S NO EVIDENCE IN RECORD THAT HE HAS EVER BILLED DURING 2005 FOR ANY OF THESE JOBS, PARK PLACE PROPERTIES?
A I HAVE NEVER SEEN A BILL.
Q ANY EXPLANATION THAT HE HAS EVER GIVEN YOU FOR WHY HE DIDN'T PAY YOU FOR THAT MONEY THAT HE TOOK OUT OF THIS ACCOUNT TO PAY HIS BILLS AT HIS WIFE'S COMPANY, PARK PLACE PROPERTIES?
A NO.
Q PARKWAY OFFICES, IS THAT A JOB LEDGER THAT'S ON YOUR PEACHTREE SYSTEM?
A YES, IT IS.
Q WAS THAT A JOB THAT A&E ACTUALLY DID PERFORM?
A YES, SIR.
Q DID YOU DO SOME OF THE WORK?
A WELL, WE DID A BUNCH OF WORK.
Q THAT'S WHERE YOUR OFFICE IS LOCATED, IS IT NOT?
A YES, SIR.
Q YOU WERE AWARE THAT THERE WAS A JOB LEDGER?
A YES, SIR.
Q DID YOU KNOW THAT A&E WAS PAYING FOR THAT FOR FREE?
A NO, I DID NOT.
Q DID YOU AGREE TO PROVIDE FREE SERVICES FOR PARKWAY OFFICES?

A NO, I DIDN'T.
Q DID HE EVEN ASK YOU? DID MR. VEREEN TELL YOU, "MR. SMITH, WE HAVEN'T BEEN PAID MUCH RENT. WILL YOU G THERE AND REMODEL OUR OFFICES AND SPEND $80,000 OR WHATEVER THE NUMBER IS?
A NO.
Q THERE WAS NO CONVERSATION WHATSOEVER?
A WE JUST DID IT.
Q DID HE TELL YOU THAT HE WAS GOING TO PAY YOU COST-PLUS 15% PERCENT FOR THOSE JOBS?
A EVERYTHING IS COST-PLUS 15% PERCENT THAT WE DID EXCEPT FOR HIS HOUSE IN MURRELLS INLET.
Q DID YOU KNOW THAT YOU WERE FINANCING THAT JOB FOR HIM WITHOUT GETTING PAID?
A NO, SIR.
Q DID HE HAVE A CONSTRUCTION LOAN ON THAT ONE?
A NO, SIR.
Q WAS THERE A CONSTRUCTION CONTRACT?
A NO, SIR.
Q IT WAS JUST LIKE PARK PLACE PROPERTIES, TWO JOBS IN NORTH MYRTLE BEACH?
A YES, SIR.
Q THE SEVEN OAKS PAYMENTS CONTINUED AND THE LITCHFIELD MEDICAL CENTER PAYMENTS CONTINUED IN 2005, DID THEY NOT?

A YES, SIR.
Q ACCORDING TO HOW MS. BRADY TESTIFIED?
A YES, SIR.
Q WAS THERE A BILL SENT FOR THOSE IN 2005?
A NO.
Q WAS THERE ANY PAYMENT?
A NO.
Q DOES IT SURPRISE YOU, SIR?
A YES.
Q CAN YOU SEE WHERE THE MONEY IS GOING?
A YEAH. I KNOW EXACTLY WHERE THE MONEY'S GOING.
Q BUT MR. VEREEN WAS HAVING TO MAKE PAYMENTS BECAUSE THE CHECKS WERE BOUNCING, IS THAT CORRECT?
A HE WOULDN'T HAVE HAD TO MADE PAYMENTS FOR THE CHECKS BOUNCING IF HE WOULD HAVE LEFT THE MONEY AND PUT THE MONEY THAT THE COMPANY HAD EARNED SINCE DAY ONE, IF HE HAD JUST PUT IN THE ACCOUNT AND LEFT IN WHAT WAS SUPPOSED TO BE THERE, HE WOULD HAVE NEVER HAD TO PUT ANOTHER DIME INTO THE ACCOUNT TO COVER ANY KIND OF BAD CHECKS. THE TIME HE PUT IN $75,000, THERE SHOULD HAVE BEEN $380,000 IN THE BANK THAT BELONGED TO A&E THAT HAD ALREADY BEEN STOLEN OUT OF THAT ACCOUNT.

Q NOW, THE PROPERTY TAXES OF MR. VEREEN AND HIS FAMILY MEMBERS INTENDED TO BE PAID IN 2005, AND WE'VE CORRECTED THOSE FIGURES?

A YES, SIR.

Q I SEE HERE WHERE HE PAID FOR A PERMIT IN 2005 OF PARK PLACE PROPERTIES IN NORTH MYRTLE BEACH FOR $9,045, RIGHT?

A YES, SIR.

Q DID HE TELL YOU HE WAS DOING THAT?

A NO, SIR.

Q WOULD YOU HAVE CARED THAT HE WAS BUYING A PERMIT AND YOU WERE GETTING REIMBURSED BASED UPON THE BILL?

A NO, SIR.

Q BUT HE DIDN'T PAY IT BACK, DID HE, SIR?

A NO, SIR.

Q IT WASN'T EVEN CHARGED TO A JOB, WAS IT, SIR?

A NO.

Q NOW, WE GO INTO WHAT MS. BRADY SAID. THE LULL RENTAL AND SKID RENTAL CLAIM AS AN EXPENSE BY YOU. I MEAN, ON HER CART OR ON HER OPINION LETTER, IT WAS BASED UPON INFORMATION PROVIDED BY YOU?

A YES, SIR.

Q TELL ME, SIR, WHY WOULD MR. VEREEN OWE THE

COMPANY MONEY FOR LULL AND SKID RENTALS IN 2005?

A 2005, WE PURCHASED A SKID STEER, A CATERPILLAR SKID STEER FOR 20 SOME ODD, 30 SOME ODD THOUSAND DOLLARS. IT WAS DELIVERED TO POINTE MARSH AND UNTIL POINTE MARSH WAS FINISHED, IT DID NOT LEAVE. IT WAS USED THERE ON A DAILY BASIS. THEREFORE, THAT IS AN EXPENSE FOR POINTE MARSH. THERE'S NOTHING IN ANY JOB LEDGER OR ANYTHING EXPERIENCING THAT THING. IF YOU RENT A SKID STEER, IT'S GOING TO COST YOU ABOUT $1,200 A MONTH TO RENT ONE.

Q DID YOU, IN FACT, HAVE TO RENT ONE ON SOME OF YOUR --

A OH, I HAD TO RENT ONE ON OTHER JOBS BECAUSE THEY WERE USING THEM. I MEAN, I RENTED THEM ON OTHER JOBS TO DO OTHER WORK. A LULL, WE OWNED A LULL.

Q A&E OWNED IT?

A YES. WE BOUGHT IT AFTER WE RENTED IT AT TAHITIAN PRINCESS I. WE ENDED UP PURCHASING IT AND IT WENT TO HIS HOUSE FOR A WHILE, THEN IT WENT TO POINTE MARSH AND STAYED. AND IT STAYED UNTIL 2007. I RENTED FORKLIFTS ON THE OTHER JOBS BECAUSE THEY WERE USING THAT ONE. THAT'S HOW THEY SET THE TRUSSES. THAT'S HOW THEY SET MATERIAL UP ON THE THIRD FLOOR. I MEAN, IT'S

VERY ADVANTAGEOUS TO HAVE A LULL ON A JOB TO PUT MATERIAL UP THREE FLOORS. I MEAN, HE USED IT. IT WAS THERE. IT BELONGED TO US AND I WAS HAVING TO RENT LULLS AND FORKLIFTS FOR OTHER JOBS THAT WE WERE DOING AND I COULD HAVE USED OUR LULL ALL ALONG. AND I CHARGED HIM THE SAME AMOUNT THAT WE PAID FOR THE OTHER FORKLIFTS.

Q WELL, STATED IN ANOTHER WAY, MR. SMITH, HAD YOU BEEN PERFORMING SERVICES WITH A THIRD PARTY AND IT WAS NOT MR. VEREEN, WOULD YOU HAVE CHARGED THIS SAME AMOUNT TO THOSE CUSTOMERS AS PART OF THE CONSTRUCTION COST?

A YES, SIR.

Q YOU WOULD CHARGE THAT SEPARATELY?

A YES.

Q THAT'S AN EXPENSE THAT YOU INCUR FOR PERFORMING THE CONSTRUCTION?

A THAT'S CORRECT.

Q HE SHOULD EXPECT TO PAY IT?

A YES. BY ALL MEANS.

Q AND HAD HE NOT BEEN USING THAT EQUIPMENT, YOU COULD HAVE USED IT ON OTHER JOBS?

A YES. AND I WOULDN'T HAVE HAD TO SPEND MONEY ON THOSE JOBS TO RENT THEM.

Q AND THE AMOUNTS THAT YOU TOLD MS. BRADY, ARE

THOSE FAIR AND REASONABLE AMOUNTS OR THE AMOUNT THAT YOU HAD TO PAY WHEN YOU RENTED THAT EQUIPMENT?

A THEY'RE FAIR AND REASONABLE AMOUNTS OF WHAT I HAD TO PAY FOR THE OTHER EQUIPMENT.

Q NOW, MR. VEREEN SAID HE KEPT THAT UP THERE BECAUSE HE DIDN'T HAVE ANYWHERE TO STORAGE IT. IS THAT A TRUE STATEMENT?

A NO. I HAD JOBS GOING EVERYWHERE. I COULD HAVE USED IT ON LOTS OF THEM.

Q HE NEVER DISCUSSED ANYTHING ABOUT KEEPING THAT EQUIPMENT UP THERE SOLELY FOR HIS OWN USE?

A NO.

Q HE DID, IN FACT, USE IT?

A YES. HE USED IT EVERY DAY.

Q YOU SAW HIM USE IT?

A WHEN I WAS UP THERE. I'VE GOT A SON THAT WORKED UP THERE AND, YES, HE DROVE THE BOBCAT AND THE SKID STEER AND THE FORKLIFT. I MEAN, YES. THEY USED IT EVERY DAY. IT WAS PART OF CONSTRUCTION. IT'S NEEDED TO DO THE CONSTRUCTION.

Q GOING INTO CALENDAR YEAR 2006, MR. SMITH, MR. VEREEN WAS STILL PAYING ALL OF THESE PERSONAL EXPENSES OUT OF THE BANK?

A YES, SIR.

Q EVERY MONTH?
A YES, SIR.
Q DID YOU KNOW THAT?
A I DID AT A LATER POINT IN TIME, BUT THE TIME THAT IT WAS HAPPENING, NO.
Q WERE ANY OF THESE SAME ROUTINE EXPENSES, DID YOU KNOW ABOUT ANY OF THAT DURING THE CALENDAR YEAR 2006?
A NOT 'TIL THE END OF IT, NO.
Q WAS IT AUTHORIZED?
A NO, SIR.
Q THIS CONTINUED ON INTO 2007, DID IT NOT, SIR?
A YES, SIR.
Q SO, THE INSURANCE PAYMENTS WERE WRITTEN OUT OF THE CHECKBOOK AS IF THE CHECKBOOK WAS HIS OWN PERSONAL CHECKBOOK?
A THAT'S CORRECT.
Q LET ME ASK YOU SOMETHING. WHO WAS PAYING YOUR LIFE INSURANCE BILLS?
A I WAS.
Q YOU WERE?
A YES.
Q HE DIDN'T ASK YOU FOR YOUR LIFE INSURANCE BILLS, YOUR MONTHLY BILLS TO PAY?
A NO. I HAVE A BANK DRAFT FOR MY PERSONAL ACCOUNT

TO PAY MY LIFE INSURANCE.

Q WERE YOU SUBMITTING YOUR SON'S GASOLINE BILLS?

A FOR WHAT?

Q A&E TO PAY WHEN HE WASN'T DOING ANY WORK FOR A&E?

A NO. MY SON WORKED FOR A&E IN 2006 AS AN EMPLOYEE.

Q WOULD IT BE PROPER FOR YOU TO SUBMIT A GAS BILL FOR PAYMENT TO A&E FOR YOUR SON IF HE WAS STILL IN SCHOOL?

A NO. HE WAS OUT OF SCHOLL AND NO, A&E DIDN'T PAY FOR HIS GAS. HE PAID FOR HIS OWN GAS.

Q A&E DIDN'T PAY FOR ANY OF HIS GAS, IS THAT CORRECT?

A NO, WE DID NOT.

Q NOW IN 2006, HE CONTINUED WITH THE DISBURSEMENTS OUT OF THE ACCOUNTS FOR THE PARK PLACE PROPERTIES JOBS TO POINTE MARSH?

A RIGHT.

Q AND HE CONTINUED WRITING CHECKS FOR PARKWAY OFFICES CONSTRUCTION AND FOR THE PLANTATION LAKES JOB?

A YES, SIR.

Q THEY ARE SHOWN IN YOUR COMPUTERIZED RECORDS?

A YES, SIR.

Q AND YOU'VE SEEN THE CHECKS?
A YES, SIR.
Q AND WERE YOU AWARE, SIR, THAT MR. VEREEN AND HIS ENTITIES, WHATEVER THEY MAY BE, WERE NOT BEING BILLED AND THEY WEREN'T PAYING THOSE EXPENSES?
A NO, I WAS NOT AWARE.
Q DID YOU THINK THEY WERE?
A THOUGHT THEY WERE.
Q WHAT DID YOU THINK YOU HAD IN THIS CHECKING ACCOUNT IN 2006?
A AT THE END OF 2006 I THOUGHT WE WERE PUSHING TWO MILLION DOLLARS.
Q AND HE WASN'T TELLING YOU ANYTHING DIFFERENT AT THAT TIME, WAS HE?
A NO.
Q WERE YOU REALLY BUSY?
A WERE WE REALLY BUSY?
Q YES.
A ALL THE WAY THROUGH 2006, YES. 2007 WE SLOWED DOWN.
Q ACTUALLY IN POINTE MARSH YOU HAD 150 OR I WOULD SAY $176,000 WORTH OF EXPENSES IN 2006? THAT'S THE BOTTOM LINE, NO PROFIT, NO OVERHEAD?
A YES.
Q AND YOU ARE AWARE NOW THAT MR. VEREEN HAS AGREED

THAT IS AN EXPENSES THAT HE OWES?

A YES.

Q DID HE EVER TELL YOU THAT HE WAS TAKING YOUR MONEY? THAT HE TOOK THIS $176,000 OUT OF THIS ACCOUNT IN THE CALENDAR YEAR 2006?

A NO.

Q DID YOU THINK HE WAS BILLING IT?

A DID I THINK HE WAS BILLING IT?

Q DID MRS. DREWITT, THE BOOKKEEPER OR MRS. SISSON, THE ATTORNEY HE HAD WORKING, DID ANY OF THEM LET YOU KNOW THAT, "HEY, WE'RE NOT REIMBURSING THE COMPANY FOR THESE EXPENSES."?

A NO.

Q WELL, YOU HEARD THIS STUFF ABOUT CHECKS WERE BOUNCING. WERE THEY TELLING YOU THAT THEY WEREN'T PAYING THEIR MONEY BACK TO THE COMPANY THAT THEY CHARGED?

A THEY NEVER TOLD ME.

Q WERE YOU SURPRISED?

A YES.

Q WERE YOU UPSET?

A YES.

Q WHEN YOU DISCUSSED THE BUYOUT, DID HE EVEN BRING THAT UP? "I HAVE NOT PAID YOU FOR POINTE MARSH."?

A NO.
Q RANDY'S TRUCK. THERE'S BEEN A LOT OF DISCUSSION CONCERNING RANDY'S TRUCK. RANDY'S TRUCK IS ACTUALLY OWNED BY YOUR COMPANY, IS IT NOT, SIR?
A RANDY'S TRUCK WAS OWNED BY MY COMPANY, YES.
Q WAS THAT AS A CONVENIENCE? HE DIDN'T HAVE CREDIT?
A WE PURCHASED IT AND HE JUST CONTINUED TO USE IT AND AS HE USED IT... IF HE WAS WORKING ON AN A&E... ON A EES JOB, FOR SAY A MONTH, I WOULD PAY HIS PAYMENT. IF HE DID FOR OTHER JOBS, HE WOULD GIVE ME THE MONTHLY PAYMENT AND I WOULD PAY IT.
Q OKAY.
A HE WAS HIRED BY WAYNE VEREEN TO GO AND WORK ON HIS HOUSE.
Q THAT IS THE MURRELLS INLET HOUSE?
A THE MURRELLS INLET HOUSE. HE WAS HIRED BY WAYNE VEREEN AND HE WAS PAID BY PARK PLACE PROPERTIES, NOT A&E. HIM AND HIS SON, BRANDON, WERE BOTH HIRED BY PARK PLACE PROPERTIES. HIS AGREEMENT WITH RANDY --
Q WHO IS "HIS AGREEMENT"?
A MR. VEREEN'S AGREEMENT WITH RANDY IS THAT HE WOULD PAY HIM, I THINK IT WAS $1,200 A WEEK, A

THOUSAND DOLLARS A WEEK OR WHATEVER. HE WOULD PAY FOR HIS PHONE AND HE WOULD PAY FOR HIS TRUCK. HE WOULD PAY FOR HIS GAS AND HE WOULD PAY FOR HIS TRUNK INSURANCE.

Q YES, SIR.

A HE CONTINUED WORKING THROUGH FINISHING MR. VEREEN'S HOUSE. HE WENT TO POINTE MARSH AND FINISHED POINTE MARSH UP AND CONTINUED TO WORK AT POINTE MARSH WELL INTO 2007.

Q WHAT IS THIS PAYMENT HERE LISTED ON 2006 AND 2007 FOR "PAYMENT OF RANDY'S TRUCK"?

A THAT BELONGS TO PARK PLACE PROPERTIES AND IT HAS NOTHING TO DO WITH A&E.

Q IS THAT BECAUSE MR. VEREEN AGREED TO PAY THAT PAYMENT AS A CONDITION OF GETTING HIM TO WORK FOR HIM?

A HE AGREED WITH RANDY. RANDY DEMANDED THAT AND MR. VEREEN AGREED TO IT. THERE WAS AN AGREEMENT BETWEEN RANDY AND MR. VEREEN.

Q WERE YOU AWARE OF THIS? DID YOU TALK TO WAYNE ABOUT THIS?

A I WAS AWARE THAT THIS WAS... I WAS AWARE THAT HE WAS GOING TO MAKE THE PAYMENT. THAT'S WHY I BROUGHT THE BILLS IN EACH MONTH AND GAVE THEM TO CARRIE TO PAY. I THOUGHT SHE WAS PAYING THEM

OUT OF PARK PLACE AND SHE WAS PAYING THEM OUT OF A&E.

Q YOU WEREN'T AWARE OF THAT?

A NO, SIR.

Q SO, THE STATEMENT MAY BE TRUE THAT THE COMPANY WAS PAYING FOR A VEHICLE IN YOUR NAME, BUT IT WAS NOT AN AUTHORIZED EXPENDITURE?

A NO WAY, SHAPE OR FORM AUTHORIZED, NO.

Q YOU DIDN'T AUTHORIZE IT TO BE PAID TO YOU AT ALL, DID YOU, SIR?

A ABSOLUTELY NOT.

Q THE SKID RENTAL AND LULL RENTAL IS THE SAME?

A YES.

Q AND THE PERSONAL PROPERTY TAXES, I THINK WE WENT THROUGH PROPERTY TAXES AGAIN. WE WON'T GO THROUGH THAT AGAIN. BUT TELL ME, SIR, THE STOCK BUILDERS CERTIFICATE MR. VEREEN HAS AGREED, WAS THERE A BILL FOR $22,049.48 THAT WAS PAID FOR BY A&E?

A YES. THERE WAS ONE AND IT WAS... WE GOT A COPY OF THE CHECK AND INVOICE THAT WAS STAPLED TO IT AND THE INVOICE THAT WAS STAPLED TO IT WAS FOR MATERIAL ORDERED AND DELIVERED TO POINTE MARSH. I THINK IT WAS BUILDING 23 AND 22. MR. VEREEN HAD TAKEN A CHECK OFF THE CHECK REGISTER AT THE